

**GREAT BRITAIN
IN THE
POST-WAR WORLD**

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by

G. D. H. COLE

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PREFACE

THIS BOOK is in a sense a sequel to *Europe, Russia and the Future*, which I published in 1941. I have tried to set down in it what seem to me the fundamental facts to which any post-war Government in Great Britain will have to accommodate itself, and to outline what seem to me the right ways of facing these facts. Inevitably, such an attempt involves hypotheses—above all, the essential hypothesis of victory. But much that I have written in this book is not hypothesis, but plain fact, which will not be the less challenging however complete victory may be, in a purely military sense. It is chiefly in the hope of getting the gravity of the sheerly inescapable facts understood that I have written; for policies shaped in avoidance of them will be mere delusions, under cover of which the forces of evil will get their way, unless they are exposed in time. The parties of the Left cannot afford to repeat the mistakes of the inter-war period, which put them at the mercy of capitalist 'loss of confidence' at the onset of business depression. This was the tragic history of inter-war progressivism in Germany, in France and in Great Britain; and it came of not facing facts. Upon us in Great Britain there rests a special responsibility for making sure that our post-war policies do square with realities, and are not mere anthologies of pious wishes. Our task in rebuilding British democracy on secure economic and social foundations cannot be easy; and it will hinder and not help us to pretend it easier than it can be.

G. D. H. C.

*Hendon,
September 1942.*

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INTRODUCTION

WHEN WE speak of reconstructing our battered country after the war, what do we mean? Lord Portal's task is defined as *physical* reconstruction—of our bombed cities first and foremost, but also of our whole country, as far as it stands in need of physical rebuilding in order to make of it a fit home for the people in the world after the war. Sir William Jowitt, presumably, is meant to dig deeper, as well as to cast his vision over a wider space; but how deeply has he either the mandate or the will to delve? Is it for him to say, if he is or comes to be of such an opinion, that the entire way of living to which we have grown accustomed is radically wrong, not merely in its physical environment but also in its spiritual quality, of which the physical face of Britain is the expression and the symbol?

I feel, deep in me, the sense of this pervading evil, which has so poisoned our institutions that for the means of resistance to Fascism we have had to fall back upon our common humanity and on the deep sense of national unity which holds us together as a people. These were the qualities that saved us when France fell—these, and the finding in our extremity of a national leader who, with all his faults, was able for the time to embody them. Our island situation, though much of its ancient protective virtue is no more, gave us the respite which we needed for finding some part of our national soul. It gave us time to rally under a new leader, and under a Government which in the immediate crisis symbolised our national unity. That was much—indeed, for the moment, all. But the very conditions of immediate resistance forbade us opportunity for any deep self-examination. We rallied as a people, but we could not pause to inquire what manner of people we were, or for what ends, beyond immediate national self-preservation, we were girding up our loins to fight.

Largely, that is still where we stand—defending our bare right to continue to exist as a nation, and no more. But, though this deep sense of unity has been our most potent shield against the onslaught of the barbarians, it cannot point the way to victory or to the new world which we must make for ourselves if we are to live, when our immediate ordeal is over, happy or secure. For victory, and for that which is to come on the heels of victory, we need to imagine for ourselves an ideal of the new life which we are to build up, primarily for ourselves, but also, as far as in us

lies, for other peoples we must work with in repairing the devastation and striking out towards a new mastery of the human spirit over the forces that have brought humanity to ruin's brink.

A Government which transcends party boundaries may mean either of two things. It may mean on the one hand an inter-party arrangement, conceived on the understanding that nothing, or as little as possible, hitherto stood for by any of the parties included in it shall be changed or assailed, and that such invasions of old habits as have to be made in the emergency shall be regarded as but temporary and without prejudice to the future—war measures, designed to impede as little as possible a later resumption of the old party postures. Or it may mean, on the other hand, something radically different—a recognition among men of all parties that they are not without their share of folly, that the old party cries fail to express the true spirit of the people, and that parties and party issues and the very structure of political life all need making new.

It was inevitable that our new Government of 1940, born before the extreme character of the national crisis had been thoroughly understood, should partake largely of the first of these qualities. Though it was to a great extent a Government of the best who were available, within the somewhat narrow limits of parliamentary personalities, it was in essence a compromise, based on a most unsatisfactory composition of Parliament. It was good enough, thanks to Churchill's leadership and the seconding of the leaders of Labour, to head for a few vital months the great national effort which kept the barbarians off from our shores, and put arms belatedly into the hands of our people. But it lacked—it lacks still—the power to transcend its political origins. Churchill's leadership has not transformed the Conservative Party; nor have the Labour leaders appeared to be even attempting to make of their party something different from what it was. The unresolved antagonisms persist, both within the Government and, fully as much, in the rump which has to serve us in lieu of a really representative Parliament; and in default of imaginative leadership there is no one to guide the people towards a clear vision of the rapidly changing conditions of living for the community in its coming rebirth.

Yet how changed these conditions are is plain enough to anyone who can spare mental eyes to look upon the world. No longer will this country of ours be able to eke out its living by tribute levied upon other peoples. In that sense, at least, the days of our empire are over; and henceforth we must rely on our own resources and on our ability to exchange such surpluses as we can produce for the surpluses, and no longer for the necessities, of

others. At home, we shall have so much to repair (after whatsoever fashion we may set about the task) as will make impossible for a long time the concession to anyone, or to any class, of any large superfluity over evident needs. Therewith we shall have great responsibilities to others worse off, materially, than ourselves, for laying firm foundations in Europe, in Asia and in Africa, for the war of civilisation against primary poverty and endemic social and physical disease. The Americans, we may hope, will stand with us in these great enterprises—if not, so much the heavier, but not the more avoidable, will be our own burdens.

There are strenuous days ahead of us, and, for facing them, we shall need more than material incentives to urge us on, even if we conceive our task as largely the winning at long last of man's victory over material penury. We shall need the stimulus of a great ideal and a united faith, which will make for us simplicity of living and of manners the symbolism of a changed attitude to life. The gadget-conquering phase of man's advancing knowledge will no longer avail us, for it reduces man's living to meanness and indolence. Our new science must attend to first things first, and we must keep as a precious possession for the future the fine, hard training that we shall have forced on us as a means to the initial victory.

To say this is to expose the inadequacy of our parties, and of any Government made for us in their image. How much would it profit us (a little, perhaps, but how much less than enough!) were a General Election to reverse the position of parties, and fill the Conservative benches with Labour men? The material-results of such a reversal might have some point, but it is all too plain that out of it the needed spiritual impulses would not be born. Moreover, would Labour in political power impel us any more rapidly towards what is essential in Socialism than we are being impelled, by force of sheer necessity, and should be impelled, even if there were not a single Socialist to give the prevailing tendency a name?

In truth, the *machinery* of Socialism is no longer a matter of the party that professes Socialism being in power. The machinery of State control over the economic life of societies is forced upon the nations not only as a necessity of war, but as a derivative of the new age of concentrated technical power. The question is, not whether the State is to control, but how, and to what end. And, immeasurably superior as is the Socialist idea of the State planning for welfare as compared with the Nazi idea of the State organising all the forces of the nation for aggressive war, the nebulous and unimaginative parody of Socialism, which alone is embodied in the political party which professes to stand for it, has

shown all too little capacity to rise to the needs of a situation which calls for qualities of creative heroism rather than merely for aspirations after social security. If Socialism is a creed capable of stirring the spirit of the people, *its* spirit will have to be made alive, not only in the hearts of those who have hitherto carried its political labels, but equally among many who have hitherto repudiated its name.

We shall have to dig down a long way below the political policies of Labour-Socialism to the roots of the Socialist creed. There is nothing sacred about nationalisation, which is but the most obvious of a number of possible ways of defeating capitalist monopoly. There is nothing final about the political programmes in which Socialists have sought to embody their basic ideals of human brotherhood. The more gigantic the essential instruments of power became, the greater grows the danger that, in centralising their administration, we may be drawn to create a political machine, too vast and complicated to be amenable to any real democratic control, and may thus become ourselves the victims of the very power-mania which we are organising ourselves to defeat. It is a clear lesson of recent history that democracy cannot be real unless it rests on small groups as its basic units—on groups small enough to be competently administered and led by men of normal stature and mental make-up.

This should make even Socialists wary by now of tearing up by the roots any small man's refuge that is left in a world so ridden as ours by hugeness. It should make them regard the farmer, the shopkeeper, the small manufacturer, not as obstacles in the way of universal centralisation, but as valuable checks upon a dangerous agglomerative tendency. Politically, this opens up the possibility of immense innovations. Nor does the need to recast our educational institutions to fit the needs of a hardier, more self-reliant and courageous generation of men fail to suggest cleavages of opinion on altogether new lines, and cutting right across existing affiliations.

Given the fundamental resolve to rebuild our nation in the spirit in which we began fighting the war in 1940—a spirit which we have, to a perilous degree, failed to sustain since then—we may expect a crumbling of the parties, as soon as the indispensable questions about the means of reconstruction have to be asked—and somehow answered. Indeed, this crumbling began long ago, and is concealed only by the insistence of the immediate tasks of war, the still almost undisputed primacy of Churchill as national war leader, and the lack of situations which compel men and women to give visible form to their political notions. A General Election, if it could be held to-day, would doubtless

greatly strengthen the Labour Party—but far less because the Labour Party has strengthened its hold upon the mind of the people than because the Conservative Party's hold has become deservedly very much weaker. No party has in reality grown stronger; for no party even begins to express the spirit which is needed either for victory in war or for refashioning the nation for the tasks to come.

This is a state of affairs lamentable to party managers, but requisite for the birth of a new national spirit. This spirit cannot, however, if democracy is to live in any shape recognisably continuous with its past, remain unembodied in any political movement. It must find for itself a body, either in a spiritual rebirth of old parties and movements, or in the upspringing of new ones in their place. The national unity of which more and more men are now speaking as necessary in the years that will follow the conclusion of the struggle in arms is possible only if it comes as the expression of a radically new attitude and arms itself with a radically new policy—socialist in its fundamental conceptions and immediate purposes, but not necessarily so in the sense in which Labour-Socialism has been narrowed down into the creed of a single party. These are dark hints, maybe; but who, groping about in the greyness, can picture plainly the glory of the rising sun?

CHAPTER I

WHERE STANDS GREAT BRITAIN?

NO GREAT country in the world's history has ever been so dependent on foreign trade as Great Britain has come to be in the course of the past century. In the ancient world, Athens and Rome, in the days of their imperial greatness, both depended upon imports of corn from abroad; and tribute in kind from their dependencies played an essential part in their economic life. The British Empire does not pay tribute to Great Britain in the same direct way, in either cash or kind, though British fortunes made overseas and brought back for spending in Great Britain have in effect played much the same economic role from the days of the 'nabobs' in the eighteenth century. In general, the British people has paid for its imports of foodstuffs and materials from empire as well as from foreign countries by means of exports of one sort or another—from cotton shirts and loincloths which have ousted the handmade products of native labour to locomotives, power-plant, factory machinery, and other capital goods, which have been applied to the development of the resources of the empire and of other economically backward countries. In part, too, Great Britain has made payment by the services of British ships, British financial resources, and British technical and organising skill.

Until quite lately, Great Britain was exporting more than it imported, when allowance was made for all these factors. True, the 'visible balance' has been for a very long time 'adverse'—which means, in plain English, that the money value of the actual goods imported into Great Britain has been greater than the money value of the exports. In comparing these totals it has however to be borne in mind that imports, by the time they reach this country, have been increased in value by the cost of transporting them from their places of origin, whereas exports are valued 'free on board'—that is, at what they are worth when they leave this country and not when they arrive at their several destinations. (That, incidentally, is why British figures of exports to other countries never tally in value with those countries' figures of imports from Great Britain.) But even if we allow for this factor, British 'visible' exports have for a long time past been smaller than British 'visible' imports.

It was possible for this discrepancy to exist, and yet for Great Britain to have a real export balance, partly because most goods consigned to or from Great Britain were carried in British ships

and insured by British insurance concerns, and because a large fraction of the middlemen's profits on both import and export trade accrued to British merchants. Indeed, British ships and British capital carried and financed a substantial fraction of the import and export trade of other countries, even when the goods were being carried neither to nor from Great Britain. Until not so long ago, the returns drawn from these 'invisible' items of the balance of trade, as economists call them, were enough in a normal or average year to fill up the 'visible' gap between exports and imports: so that in terms of current goods exported and services rendered Great Britain was paying more or less on the nail for what was received from overseas. This was not the case every year, and especially it was apt not to be the case in years of economic depression. For in such years British exports were apt to fall off sharply, and there were fewer goods for British ships to carry and fewer financial services demanded from British capitalists. But, on the average, until fairly recently the account roughly balanced.

Even when it did not balance, there was no difficulty in buying all the imports Great Britain needed to bring in. Actually, in periods of bad trade, the prices of British imports usually fell more sharply than the prices of British exports—for prices of food-stuffs and raw materials, which are Great Britain's principal imports, are more sensitive to trade fluctuations than prices of manufactured goods, which are our chief exports. Thus, in bad times, fewer exports were needed to buy as many imports as before; but, even so, the demand for exports of goods and services was apt to fall off so much as to leave an 'adverse balance' on the general trading account. This, however, caused no difficulty on our side, because Great Britain had plenty of other ways of paying for whatever was wanted.

The chief of these other means of payment was the large sum which was owed every year by persons abroad, both in the British Empire and in foreign countries, to persons in Great Britain as interest or dividends on British overseas investments. All through the past century—and indeed well before that on a smaller scale—British owners of capital have been investing it in other countries, wherever they saw the prospect of a satisfying return. The amount of new money thus invested overseas has varied a great deal from period to period and even from year to year; but up to the past few years the total had continued to increase, subject only to a serious diminution during the war of 1914–1918. During that war, many British holdings of capital overseas were sold off in order to pay for necessary imports, especially during the period before the United States entered the war. Thereafter, for a time

the money total increased again, until it exceeded the record high level of 1914; but the *real* value remained below that of 1914, if allowance is made for the changed value of money. Nevertheless, the volume of interest and dividends received by British owners from abroad remained amply large enough through the nineteen twenties to meet any deficits on the trading account in bad years and to provide in good years a substantial balance available for fresh investments abroad.

Then came the 'economic blizzard' of 1931 and the following years; and Great Britain, despite the very low prices at which imports could be bought, experienced so great a fall of exports and of receipts from shipping and financial services that drafts had to be made, in order to pay for imports, not merely on the interest and dividends accruing on past investments, but also, in face of a fall in these receipts, on the invested capital itself. This was done partly by a withdrawal of short-term working capital which had previously been employed abroad, and partly by actual repayment of long-term investments. Such repayments are in fact taking place every year, by means of sinking funds attached to money loans and of repayment of dated loans as they expire. Previously, sums repaid in this way had been promptly reinvested overseas in one type or another of enterprise or government loan. But from 1931 onwards they began to be applied to meeting the deficit on the current trading account, and the total volume of British overseas holdings began to shrink. There were in addition sales of British-owned overseas securities to foreign investors, especially in the United States.

This was a highly significant change in Great Britain's economic position in the world. But it was still not of a nature to cause any immediate difficulty in maintaining the level of imports. The total value of British overseas holdings of capital was so large that Great Britain could have gone on for very many years increasing annual deficits on current account and still have remained able to meet them—though of course as the process advanced the deficits would have tended to rise, as there would have been a diminishing sum available from interest or dividends, as distinct from sale of capital assets. A good many persons—economists and bankers especially—therefore expressed alarm, and it was widely urged that steps ought to be taken either to expand exports or to reduce imports, or both. In 1931 business men intent on securing protection for their manufactures in the home market had promptly seized on the 'adverse balance of trade' as a reason for restricting imports by means of a tariff; and, under pressure of the emergency, this was actually done as soon as the Labour Government had been turned out, and a 'National' Government

installed in its place. This tariff, at first introduced as an emergency measure, was soon made permanent. Great Britain abandoned the Free Trade policy which had been followed for nearly a hundred years, and became a protectionist country. Imports of finished manufactures were greatly reduced, but so were exports—though it is not easy to say to what extent the fall in British exports was due to the imposition of the tariff, or how far to the general world situation and the policies adopted by other countries. In any case, the fall in manufactured imports was not enough to restore the balance in face of the smaller exports; for British imports consist predominantly of foodstuffs and raw or partly manufactured materials needed for British consumers and for British industry, and these needs were tending to increase with the rise of population and the insistence on a higher minimum standard of life. Consequently, the 'adverse balance', though it was reduced after 1931, remained, and began again to grow; and further fears were expressed. Some people—financiers, economists and employers among them—urged that the proper course was to reduce the British standard of living in order both to cut down the demand for imports of foodstuffs and to reduce the cost of exports and thus increase the foreign demand for them. But this policy was strongly resisted both by the Trade Unions and by other economists and business men who held that a reduction in home demand was a curious remedy for a situation in which there was already mass-unemployment and a plain need for more consumption and not for less.

Accordingly, things were allowed to drift on, and people in Great Britain began to get accustomed to the notion of a small annual draft on past overseas investments in order to finance current needs. In this situation, it was sometimes said that Great Britain was 'living on its capital' and behaving in a dangerously spendthrift manner. But the mere fact that investments were being repatriated from overseas is no evidence of 'living on capital'; for it is fully possible for the sums thus brought back to be re-invested at home—in houses, for example, of which a very large number were being built during the 'thirties. 'Living on capital' means consuming in all more than is being currently produced, after allowances for depreciation of capital and maintenance charges. Great Britain may possibly have been doing this before 1939. But there is no evidence that it was being done; and the mere fact that some capital was being repatriated from abroad is neither here nor there.

Nevertheless, the situation was admittedly anomalous, for a country which had been for more than a century the principal source of foreign lending for the rest of the world. It is sometimes

suggested that Great Britain's retirement from this rôle of world financier was a main cause of depression throughout the world, because no other country had stepped in on a sufficient scale to finance the economic development of the newer countries with large unexploited natural resources. But in fact the cessation of British overseas investment was rather a part of the phenomenon of world depression than its cause. British investments *were* British exports, or the exports of the products of British-owned enterprises outside Great Britain. There was nothing else they could possibly be; for the export of capital must in the last resort consist of goods and services, and not of mere token movements of money. The falling-off of the world sales of British exports of goods meant a reduction in British exports of capital; and these exports of goods fell off because purchasers were unwilling to buy, and not because producers or merchants were unwilling to sell. The change in Great Britain's world situation was largely a consequence of forces which were affecting the entire development of the world's economy. Falling rates of population increase were slowing up the expansion of the demand for primary products in the wealthier countries: the check on emigration to America was also arresting the pace of economic development in Canada and the United States; and these conditions were reacting both on the purchasing power of the primary producers throughout the world and on the willingness of investors to lock up their money in long-term projects of economic expansion. Currency upsets were at once cause and consequence of world economic disorder. The United States, having become a great creditor country but still determined to protect the home manufacturer against imports made with the aid of cheaper labour, could balance its international accounts only by large-scale foreign investment or, alternatively, by absorbing most of the world's supply of gold. When foreign investment fell off to nothing, or even became a minus quantity, in the great depression of the early 'thirties, gold alone enabled the rest of the world to meet its obligations to the United States; and the Americans were compelled to go on accepting gold they did not want in order to avert a total collapse of international finance. All these forces together led one nation after another into a scramble to protect its own balance of payments by cutting down imports to the lowest possible level and putting such imports as it could on a basis of bilateral exchange in order to reduce the need for financial transfers. Economic Nationalism became the prevailing practice, not only in countries which sought *autarkie* in pursuance of a definite national objective, but also where it was resorted to unwillingly, as an unavoidable response to the practices of others.

These developments were exceedingly unfavourable to Great Britain. For the British economic and financial system had been built up on the assumption of wide and expanding world markets, open to all comers on approximately equal terms. British industries had for the greater part of the nineteenth century enjoyed their pick of world markets; and even when other countries in turn overtook Great Britain in the application of advanced manufacturing techniques, they were for a long time either too busy filling up the expanding demands of their own home markets to become formidable competitors elsewhere, or, when they did compete, came into a world market which was growing rapidly enough to allow room for all comers—though not without a good deal of jostling. The growth of world population, the opening up of Australia and New Zealand, Canada, South Africa, Argentina, Brazil, the Dutch Indies, and many other primary producing areas, the improvements in the means of transport and communication, and the demand for advanced industrial equipment from countries which were in the earlier stages of industrial development, provided immense markets for the industries and services of the advanced countries. The consequence was that, although the development of the competitive power of Germany, the United States, and later Japan caused loud complaints among British producers who had been used to a virtual monopoly in the world market, the outlets for British goods did not shrink. British export trade continued to rise, as long as manufacturers were ready to adapt themselves to changing currents of world demand and to keep well abreast of the latest technical developments.

In 1913, on the eve of the first World War, British exports were higher than they had ever been, in a world in which economic advance appeared to be proceeding with an irresistible momentum. It needed the war of 1914–1918 to show the exceeding vulnerability of the British trade structure. Despite the development of new industries and the immense expansion of engineering in all its various forms, the textile industries, the first to be brought under the influence of modern machine technique, still supplied in 1913 well over a third of the total value of British exports. Cotton goods still led the way with a value of £127 millions: woollen and worsted goods and other textiles followed with £55 millions; and as against these iron and steel accounted for £54 millions, machinery for £37 millions, and coal for nearly £51 millions.

The market for British cotton goods was mainly in the Far East, and above all in British India. During the war, it was no longer possible for Lancashire to bring in raw cotton on anything like the pre-war scale, or to find as much labour as before for

what had to be regarded as a non-essential industry. The rest of the world, and especially the Far East, found itself seriously short of necessary textile goods which it had been accustomed to buy from Great Britain; and there was a rapid development of native manufacturing both in factories equipped with modern machinery and by the revival of domestic production of yarn and hand-woven cloth. The American textile industries also forged ahead; and many smaller countries expanded their home output of textiles and stood ready thereafter to protect them against the revived competition of British products which was to be expected after the war. The British Dominions, especially Canada and Australia, developed their own woollen manufactures; and there was a pronounced tendency towards self-sufficiency in textile output on the European continent.

Accordingly, when the war was over, there was no return to the old British supremacy in the textile trades. The Lancashire cotton industry, after a brief boom during which it was able to sell at very high prices all the limited quantities it was able to produce—for war disorganisation kept total output still low for the time being—had to face the necessity of permanent contraction in view of the loss of a large part of its export markets. Exports of cotton piece goods reached in 1913 the huge total of 7,075 million linear yards; but in the best years after 1918 the total was only about 4,500 million linear yards, and during the world depression of the early 'thirties it shrank again, to a low level of 2,300 million linear yards in 1933. Thereafter, instead of reviving, it continued to shrink, reaching a further low record of 1,450 million linear yards in 1938—not much more than one-fifth of the total of 1913.

The woollen and worsted industries, much less dependent on the Far East, were not nearly so hard hit by the war of 1914–1918. But they also suffered considerable contraction, largely on account of the rise of protected manufactures in many countries. The development of the rayon industry, rapid as it was, was on far too small a scale to provide any adequate compensation for the decline of the older textile industries. British rayon was produced mainly for the home market, where it became a competitor of cotton and of woollen goods. It did not form the basis for any new large-scale development of exports.

Naturally the war had given a great stimulus to the expansion of the metal industries. This had happened not only in Great Britain and in other belligerent countries, but also in neutral countries, which, unable to get supplies from the belligerents, set up their own manufactures, often on an extremely uneconomic basis. When the war ended, it would have been possible, if the

world had been effectively organised for economic co-operation, to divert the metal industries from war production to a great campaign of world-wide economic development. For example, the Russians, instead of being forced to starve themselves of consumers' goods in order to carry out a rapid programme of intensive industrialisation, could have been supplied from abroad with immense quantities of equipment for their power-stations, transport agencies and producing plants, and could have sent back part of the value in timber, minerals and foodstuffs, accepting the rest as a loan for future liquidation. It would have paid the supplying countries handsomely to send in their goods on these terms, thus avoiding the mass unemployment which speedily beset them. Similar processes of economic development could have been applied to all the more backward countries, with immense effects in increasing their productive power.

But in fact this did not happen. The world was too unsettled, both politically and economically, for vast loans of capital or of capital goods to be made to the less developed countries on ordinary commercial terms. Russia was regarded as a pariah, outside the circle of capitalist comity; and too little confidence was felt in the stability of the new countries of Central, Eastern and Southern Europe for the great investors to be willing to finance their development on any considerable scale. Similarly, there were narrow limits to what could be advanced, on a commercial basis, to China or India, to the African colonies of the Great Powers, or to any other poverty-stricken country which needed capital and high technical skill to lift it out of its backwardness towards a higher standard of life. The job was altogether beyond the powers of private, profit-seeking investment: it could have been undertaken only by the united authority of Governments determined to make the increase of the world's wealth and material prosperity the first objective of a unified world policy in the interests of all mankind. Given such a policy, and a world organisation for giving effect to it, the war-time expansion of the metal and engineering industries could have been used as a basis for a great world-wide advance in productive power, with which the world's agricultural producers, aided by the latest machinery and improved transport, could easily have kept pace. The world in 1918 had plenty for everyone already within its grasp.

But the world of 1918 was not organised for plenty. Everywhere, except in Russia, it was still in the grip of an economic system which made the private profit of individuals organised in joint stock companies, and not the need of the peoples, the test of the worthwhileness of production. It was in the grip, too, of an exclusive nationalism which caused the profit-seeking impulses of

the owners of capital to work in an exaggeratedly anti-social way. Each group of capitalists was intent, not on enlarging the total world market to the utmost extent, but on safeguarding its own profits; and this was as a rule most easily done by securing a protected home market in which a combined group of producers would be able to get a high price for a limited output. Even the exporters, though this protective tendency was damaging to their prospects in foreign markets, in most cases preferred to have their own home markets protected and to rely, in foreign trade, on building up international cartels with their foreign competitors in order to be assured of high prices at the cost of restricted sales. Capitalism developed an internationalism of its own; but the great international cartels, so far from setting out to raise world production and exchange to the highest possible point, became organised instruments of restriction, and supplemented by their own arrangements for sharing out the limited markets of the world the obstructive influence of tariffs and other measures of domestic protection.

The world, during the decades between the wars, came to be given over more and more to systems of restrictive monopoly. This regime necessarily condemned the world to poverty. It meant low prices and restricted demand for the primary producers, and mass-unemployment for the industrial workers, who depended for the sale of their output on the ability of farmers and peasants to buy. The destitution of the primary producers meant that the owners of capital were unwilling to lend money for the development of the less advanced countries; and this in turn lowered the demand for capital goods, and flung more of the industrial producers out of work. It became a recognised tenet of the more progressive economists that depression was due to the low level of investment; but few of them troubled to push their thinking beyond this point, by inquiring why the level of investment was so low. Or, if they did, they fell back on such explanations as that the slowing-up of the growth of population in the West was inevitably reacting on the rate of development of the primary-producing areas, or that political unsettlement and economic nationalism were the responsible agents of the world's economic failure. It did not occur to most of them to question the profit-seeking basis on which the process of investment rested, or to urge that the task of world economic development, of which international investment is the necessary instrument, had assumed a character which put it far beyond the powers of the profit-seeking individual or syndicate, and called for a concerted world effort on totally new principles entirely liberated from the influence of the motive of commercial profit.

Neither business men nor most economists were at all capable of understanding this necessity. The business men were wrapped up in a system which forbade them, under penalty of bankruptcy, to pursue any interest wider than their own, or to act on any assumption other than that everyone else would be behaving in the same way as themselves. Most of the economists, trained exclusively in analysing the working of an imaginary capitalist system very different from the real one, spent their efforts in vain attempts to induce reality to conform to their ideal, or to persuade statesmen to resort to complicated devices for correcting the surface defects of capitalism, without ever questioning its foundations, or imagining the possibility of putting any alternative system in its place. Indeed, faced with the manifest success of the Russians in building up their economic arrangements on a totally different plan, quite a number of reputable economists blandly declared that the Russian system could not possibly work, and continued to maintain this, in face of all the evidence, right up to the moment of the Russian resistance to the Nazi onslaught—if not even after that.

Yet, if there is one thing that sticks out in the history of the past twenty years, it is that the countries which have superseded or subordinated the profit motive have been immensely more successful in an economic sense than those which have allowed its restrictive tendencies to have free rein. Russia, Germany and Japan all fall into the one or the other of these categories; and they have gone ahead while the other advanced industrial countries have stood still or gone back. Can it possibly be doubted that Japan's immense success in capturing world markets has been due mainly to the fact that Japanese industrialists have been firmly regimented into action accordant with national policy, whether or not such action has accorded with the private interests of individual profiteers? Can it be held for a moment that the Nazis could have achieved their disastrous economic as well as military strength if they had not taken the German capitalists firmly by the scruff of the neck, and made them run their industries in accordance with Nazi objectives rather than in unfettered pursuance of their several private interests?

The results of these profit-subordinating policies have been deplorable, from the standpoint of world happiness and well-being. But that does not alter the fact of their success. Any instrument is capable of being turned to good or bad ends; but the wise man is he who uses the most up-to-date and appropriate instruments for the best ends, and not he who persists in using obsolete instruments because the more modern ones are capable of being put to a bad use. It is a plain truth, which any unbiassed observer

should be able to see for himself, that private capitalism is an obsolete instrument for handling the major economic problems of the twentieth century, and that success in handling these problems, for good or evil ends, has gone to those who have been readiest to supersede or subordinate these instruments, and to make full use of others in their stead.

Additional evidence of this truth is afforded by the recent economic history of the United States, with its curiously mixed record of success and failure. The successes, such as they are, have been due to the courageous readiness of Roosevelt and his New Dealers to try out novel experiments of collective action on a basis which subordinates private profit—witness the Tennessee Valley Authority. The failures have been due to the refusal to push these experiments to a point at which they would seriously threaten the continued dominance of the profit-seekers in American economic life. The consequence of this refusal is that when profits are made they accrue to the capitalists, whereas the State gets, in return for its service in pulling American industry back from the brink of disaster, only debts. What is called 'Public Works Policy'—the incursion of the State into the field of business to employ those whom capitalism will not employ—is a gigantic evasion of the real issue—which is whether normal employment and production are best undertaken by private profit-seekers or by the public authority itself.

The capitalism which was held up to admiration by economists and business men was above all else a system of private *enterprise*. Though its law was the law of the jungle, and as long as it was successful it had few qualms about the sufferings which it inflicted, it was enterprising, and it did add greatly to the productive power of the countries in which it held sway, and did, as a by-product of its profit-making, raise the standards of living of those whom it employed. As long as it was confined to a few countries, there appeared to be no limit to its possible expansion; for it could everywhere undersell the more primitive producers, and could buy the right to exploit the native cultivator by means of its superior economic power. It was continually first opening up new markets by offering its machine-made wares in exchange for native produce, and thereafter proceeding to develop these markets further by investment and, where the territory was suitable for white settlement, by actual colonisation or at least the supply of skilled supervisors to direct native labour. As long as this process continued, there was a case for capitalism, despite the evils which were done in its name; for it did enrich the advanced countries by supplying them with new products, such as rubber, as well as by cheapening and increasing the supply of former

luxuries, such as tea. Necessarily, a good deal of the benefit of the exploitation of economically backward areas filtered down from the capitalists to the rest of the peoples of the advanced capitalist countries; for its effect was to cheapen many useful products as well as to provide sources of remunerative employment both at home and abroad. The skilled British workman who went abroad to serve as overseer in a Calcutta cotton mill or an African mine often acquired much of the outlook of imperialist superiority; and even the workman who remained at home, knowing that the demand for his services was sustained by the processes of imperial economic development, was influenced in his attitude by this dependence, and often came to regard the right to exploit niggers as a part of Great Britain's national heritage.

All this went on merrily right up to 1914. The Tariff Reform campaign into which Joseph Chamberlain led the Conservatives in the early years of the century was routed by the continued expansion of British industry under Free Trade. Germany, the United States and Japan were not only Great Britain's rivals in the world's markets, but also among the best customers of British industry. It was a plausible view that there were in the world still plenty of undeveloped areas in need of capital, and plenty of markets ready for further exploitation. There seemed to be room for all efficient producers in a world which was still using but a fraction of the resources that were ready to be used as soon as capital could be made available for their development.

Why did this situation never return after 1918? The resources were still there; and the physical destruction caused by the war was for the most part quite soon made good. The reason for the change was, above all else, that the delicate balance of forces on which pre-war capitalism had rested had been destroyed. The war had not so much brought new forces into existence, as speeded up the operation of forces which were already at work in a concealed fashion before 1914. In the first place, the disturbance of financial equilibrium made it difficult for countries which had previously been covering their current interest charges on past loans by means of fresh borrowing to continue this process. The fresh loans had been forthcoming because investors felt confidence in the continued expansion of the countries to which the money was lent. But after the war this confidence was no longer felt—partly because the trend of population in the advanced countries threw doubt on the growth of their purchases of wheat, meat, and other foodstuffs on which the economies of Canada, Australia and Argentina were mainly dependent, and partly because the financial situation upset confidence in the ability of the

borrowing countries to pay their debts, or the interest on them, in the currency of the creditors, or in such a way as to give the creditors a free use of what was paid or an assurance of its value in their own money. With these two doubts went a third—a vague doubt whether the expansionist phase of Western Capitalism might not, for reasons which it was difficult to analyse, have come to an end; and this doubt was both manifested in, and encouraged by, the behaviour of the great capitalist combines, national and international, which had been immensely strengthened as a result of war organisation.

Competitive capitalism had many faults—above all, an unavoidable ruthlessness about the sufferings to which it gave rise; but it had the great merit that, under it, each firm was under a compelling obligation to produce and sell up to a point at which it would make a positive loss by producing any more—and often for a time even beyond that point. But for monopoly capitalism the situation was entirely different. The competitive capitalist had to go on producing because if he did not his competitors would steal his markets and drive him right out of business. But as soon as the competitors came together into a monopoly they could choose the level of total output that would yield them collectively the highest profit, and arrange to share that output, and the resulting profit, between them, in any proportions on which they might agree. In face of the doubts about the expansibility of markets, there was a strong inducement for most of the monopolists (except those few who dealt in products for which there was an expanding demand even in times of depression) to fix a low level of output, for which they could charge a high price, and thus to realise a secure profit at the expense of keeping the world poorer in goods and services than it need have been. The immense growth of monopolistic organisation under war conditions provided the instruments through which this policy could be put into effect; and in one industry after another restrictive monopoly became the rule.

Of course, monopoly is seldom complete, and for many products there are substitutes. But there are no effective substitutes for most of the key raw materials of industry; and it was upon these, or on semi-manufactures directly derived from them, that the monopolists concentrated their special attention. Even so, monopoly could not have made great headway if it had been purely national; for in most cases the essential materials are found in a number of areas which are not all under a single national or imperial control. But monopoly did not remain merely national. Either a single concern, as in the case of nickel or copper, was able almost to monopolise the world supply, and become an essen-

tially international agency, even if it operated from headquarters in some single country; or rival groups of monopolists joined together in international cartels in which, though they might bicker for quotas among themselves, they showed a common determination to restrict total supplies in order to keep up prices, and profits, at a high level.

This type of monopoly, seeking high profits on a low output, was plainly inconsistent with any policy of world economic expansion. By keeping up prices, it restricted demand; and it then treated restricted demand as a justification of its policy of restricted output. Moreover, restricted output meant a restricted demand for new capital goods, and therefore for investment; and the great combines increasingly financed themselves out of their own profits, without going to the investing public with calls for fresh capital. This left 'free' capital to seek other outlets; and a rapidly growing fraction of the new capital of the advanced countries went into house-building and other forms of 'social' capital, as distinct from the financing of industrial growth. This in itself was a good thing—for the houses were badly needed—but it was not a good thing that the total demand for new capital was depressed, and that in some countries, particularly the United States, the Government had continually to devise projects of public investment in order to maintain the level of demand and check the growth of mass-unemployment.

It is important, at this point, to grasp a simple truth, which is often overlooked, though it is now a commonplace among economists. This simple truth is that money cannot be effectively *saved* unless it is also *invested* in real things. The act of investment demands two participants—a saver who is willing to forego immediate spending power and a borrower, or entrepreneur, who is prepared to use the loan money by converting it into real instruments of production. If savers attempt to save more than entrepreneurs are prepared to use, no real saving results. The saving is merely an abstraction of so much purchasing power from the current total of demand: the borrowing transfers it, so that it reappears in the entrepreneur's demand for capital goods, and circulates thence to those who make these goods, and so to others. If the money is saved, and *not* borrowed for productive use, it does not circulate at all. Consequently, the total sum available for buying the output of industry is reduced. This being so, either prices must fall, or fewer goods be sold, or of course both. Saving, without equivalent real investment, leads straight to depression and unemployment.

At the risk of tediousness, we must try to get this point quite clear. Investment in *existing* securities is not real investment in

the sense of the previous paragraph ; for it represents no new demand for goods. If I buy shares in a company from a previous holder of those shares, I merely transfer my purchasing power to him, and do not use it in demanding goods or services. Whether such a demand is created depends on what he then does with the money I paid him for his shares. If he buys other 'second-hand' shares, again the money is merely transferred and not spent. Only if someone who gets the money uses it to buy part of the current output of industry does it make any contribution to keeping up the level of production and employment.

But what, it may be asked, happens to the money which is saved, but not invested? The answer is that it is thrown away, poured down the sink, lost—and that it drags much more with it. True, those who lose it are not the savers, directly at any rate ; for they can still have their money in the bank, or in some safe investment. The loss is distributed through the community by means of the lower money demand that remains available for buying current production. Some of the loss is made by firms which have to accept lower prices, or realise lower profits because they can sell fewer goods. Some is made by workmen who have to take lower wages, or are flung out of work. The loss is distributed : but it is there—and it is not limited to the excess of savings over investment, because it may be the means of setting in motion the forces leading to a general economic collapse.

It was necessary to make this digression into economics in order to explain the anti-social consequences of the restrictive policies followed by monopoly capitalism during the period between the wars. Restrictions on output, by lowering the demand for new capital while maintaining profits, create just the gap between money savings and investment, or 'real savings', to which attention has been drawn. They thus lead to conditions of poverty and depression not only directly, by charging high prices and limiting supplies, but also indirectly, by causing economic crises. Such crises may of course recoil upon the monopolists, whose policy may thus in the end do even themselves much more harm than good. But it is difficult to get the monopolists to see that, because it would only pay them to stop acting restrictively if other monopolists also stopped ; and there is no known way, under what is called 'freedom of enterprise', of coercing all the monopolists into behaving unrestrictively.

This brings us back to the point which has been made earlier in this chapter—that the only countries which have succeeded in preventing the anti-social behaviour of the monopolists from damping down production have been those in which the State has either taken them over, and operated them in the public interest,

or coerced them by drastic political control into behaving according to the State's wishes. Capitalism, having become essentially monopolistic, as much as it was once competitive, has ceased to be a system which of itself seeks continually to expand, and thus increases the world's wealth as a by-product of its profit-seeking activities. It can now be driven to expand only by drastic coercive action on the part of the State—coercive action which is denounced in the 'democratic' countries as unwarrantable 'totalitarian' interference with the freedom of 'private enterprise'. I agree cordially with the denunciations of the totalitarian methods of controlling capitalism. But I draw a different conclusion. The correct conclusion is not that, in the name of 'freedom', monopoly capitalism must be left full authority to keep the peoples poor, but that capitalism itself, since it cannot be cured of its monopolistic tendencies or coerced into high output except by a totalitarian State, needs to be superseded by a system which will naturally and instinctively apply a policy of expanding production to the utmost.

But why, it is asked, cannot capitalism be cured of its restrictiveness, and made again to work in the old expansive way? It cannot be cured, because nothing can give it back its lost confidence, which was the mainspring of its success. This confidence is past restoring for at least three reasons. First, within the advanced countries popular opinion will no longer tolerate driving the weak to the wall, but will insist on a minimum standard of social security which it will seek steadily to improve. For capitalism, the provision of this standard is a deterrent cost, which keeps up the charges on industry in times of depression, and therefore decreases confidence in the continuous profitability of enterprise not buttressed by restrictive provisions for 'capitalist security'. Secondly, in the less developed countries it is no longer possible to look forward with assurance to the continued freedom to exploit native labour and native resources for the benefit of imperialist capitalism. This makes overseas investment much riskier and less attractive, and bars the continuance of the process of widening markets and opening up the world by the capitalist process of unrestrained exploitation. Thirdly, the masses of capital needed for the successful operation of the great industries are now so large that those who wield them are no longer in a position to risk bankruptcy in pursuit of high gains, as the smaller units of competitive capitalism frequently did. For mutual protection, the great capitalists of to-day must huddle together in monopolies, and do all they can to 'stabilise' markets. But such stabilisation is entirely inconsistent with the adventurous spirit which was characteristic of capitalism in its past, expansionist phase.

It follows that, both nationally and on a world-wide scale, to-

day's plans for the development of the resources available for increasing the wealth of mankind will have to be based, not on restoring the old capitalism, which is dead, nor on coercing the new monopoly capitalism, which involves totalitarianism and war, but on superseding capitalism, as the Russians have done, and replacing it by a collective use of resources emancipated from the domination of the profit-motive. That task confronts, not merely Great Britain, but the whole world, or at any rate every advanced country—for peasant economies may be able to continue largely as peasant economies where they can deal on fair terms with Socialist industrial countries instead of being strangled by the great international monopolists. The purpose of this book, however, is not to survey the world's problems, but Great Britain's. Let us go back, therefore, to a further consideration of Great Britain's economic position in the world of to-day and tomorrow, as a step towards seeing what policy the British people can most hopefully follow in the re-ordering of its tangled affairs.

CHAPTER II

OUR MEANS OF LIVING

LET US begin with a few simple facts. On the average of the three years 1936-38, British imports were valued at about £932 millions, or, deducting £66 millions of re-exports, at about £866 millions. Over the same period British exports were valued at about £544 millions, or, deducting the same value of re-exports, at £478 millions. There was thus a 'deficit' of £388 millions to be met by other means than the sale of British products. Towards this, shipping services contributed about £105 millions, financial services about £40 millions, and interest and dividends on British overseas investments about £203 millions. These are net figures, after allowing for payments due to other countries for shipping or financial services, and for interest and dividends payable to overseas owners of British investments. There remained an average annual deficit of about £40 millions, which was met either by the sale or repatriation of British overseas capital, or in gold and silver or transfers of British assets to overseas owners. This was the extent of the failure before the war to balance the British international accounts without transfer of capital assets or bullion.

This deficit may not appear very serious in itself; for it would have taken a long time at this rate to use up the large amount of overseas capital owned by British investors. Nor did it mean that, even to this extent, Great Britain was 'living on capital'; for, as

BRITISH RETAINED IMPORTS OF FOOD, DRINK AND TOBACCO.
Average values, 1936-8.

Meat and Animals for Food	£92,700,000
Grain and Flour (excluding Maize)	£57,800,000
Butter and Cheese	£55,800,000
Feeding Stuffs and Maize	£29,600,000
Fresh Fruit	£25,800,000
Tea	£24,300,000
Sugar	£20,000,000
Tobacco	£19,200,000
Eggs	£13,500,000
Dried and Preserved Fruits	£12,500,000
Fresh Vegetables	£9,600,000
Fish	£9,400,000
Wines and Spirits	£7,200,000
Edible Oils and Fats	£5,800,000
Cocoa and Coffee	£5,200,000
Milk	£3,000,000

Total Net Imports of Food, Drink and Tobacco: £403,000,000.

we have seen, the sums withdrawn from overseas investment may have been re-invested at home. Nevertheless, it was an unhealthy condition for a country which had until quite recently been the world's principal overseas investor; and this withdrawal of British capitalists from the financing of world economic development was bound to have serious consequences for the countries which had relied on a continuous inflow of British capital—the more so because the Americans, after lending heavily to the rest of the world through the nineteen twenties, had to a great extent withdrawn from overseas investment since the onset of their own economic troubles after 1929.

For the moment, however, we are concerned, not with the world's troubles, but with Great Britain's international economic affairs. We have next to see, in broad terms, of what the bulk of British imports consisted, and how essential they were to the British economic system and to the standards of living of the British people. Out of the net total of £866 millions, foodstuffs, drink and tobacco accounted for over £402 millions, raw materials for nearly £237 millions, and manufactured goods, including semi-manufactures, for about £221½ millions. These totals are of course made up of many different kinds of goods, some more necessary than others. But it is safe to say that the total bill for foodstuffs could not be appreciably cut without a reduction in standards of living unless there were radical changes in British agricultural production; and, over and above this, that any rise in standards of living would have a strong tendency to increase the size of the bill. The total for raw materials could not be cut without causing a decline in British industrial production; for British industries are heavily dependent on imported materials which cannot be produced at home. The total for manufactures has already been cut considerably as a result of the imposition of tariffs; and it includes a large sum paid for semi-manufactured goods which are just as much essential materials of industry as the imports classified under the heading of raw materials. It would, in fact, be impossible to reduce imports of any class by any really large amount without either lowering British standards of living or introducing radical changes in the structure of British production.

Consider now the position as it is likely to be after the war. The British Government has already sold to foreigners a considerable fraction of the overseas assets previously owned by British subjects, and has compensated these owners with home securities. Further overseas assets are in pawn for loans made to Great Britain; and there is, on paper at any rate, a big debt owing by Great Britain for war supplies and necessary imports brought in

during the earlier stages of the war. Even if we assume that no payments will ever be demanded, on account of Lend-Lease arrangements, for most of the supplies sent into this country during the war, it is highly likely that Great Britain will emerge into the post-war world with only enough overseas assets to balance claims arising out of the overseas ownership of capital invested in Great Britain, or, in other words, with a net income of nothing at all from overseas investments. If that is so, bang goes over £200 millions out of the sum which was being used to pay for imports during the period before the war.

Whether there will be any net income from shipping services has still to be seen. It depends on the size of the merchant navy that remains to Great Britain when the war ends, and on the rapidity with which new tonnage is built thereafter—and also, of course, on the post-war demand for ships and the level of shipping freight charges. At present it looks as if at the end of the war most of the merchant tonnage afloat will belong to the Americans; and, if this is so, Great Britain is more likely to be paying the Americans for freightage than levying a net shipping income upon the rest of the world. Should net shipping income also fall to zero (and no further), another £105 millions will have vanished out of the pre-war funds available for purchase of imports.

As for financial services, who shall say? Will British concerns regain their old position in the international businesses of insurance, discount and international financing of investment? Will London be in a position to act as provider of short-term finance for much of the world's trade? Will overseas money continue to be deposited largely in London, so as to be usable as a basis for British financial transactions? It seems improbable that any of these things will happen, or that 'financial services' will continue to provide any large contribution towards the balancing of the international accounts. If we write off that item as well, bang goes another £40 millions.

In other words, whereas before the war the 'invisible' items to Great Britain's credit brought the deficit on the balance of current payments, apart from gold and capital items, down from an annual average of £388 millions to one of £40 millions, it looks as if after the war, apart from any change in the levels of prices, the bringing in of the same quantity of imports will call for an increase of nearly £350 millions in the value of British exports. It will no doubt be possible to reduce this need by selling off such overseas capital assets as are still owned in this country, where purchasers can be found for them. But this, apart from its other inconveniences, will be in effect a borrowing of money from abroad; for we are assuming that the post-war receipts on British

overseas capital holdings will barely suffice to meet overseas claims for payment of dividends and interest from Great Britain.

It looks, then, as if we ought to aim at an increase in British net exports from a value of £478 millions to about £830 millions, in pre-war prices—an increase of nearly 75 per cent—if we wish to maintain net imports at the pre-war level. If we want to improve the British standard of living in such a way as to call for additional imports, we must put our estimate for exports still higher. Moreover, we must scale it up for another reason. British exports consist largely of imported materials to which value is added by British labour. Increased exports therefore involve increased imports, though not of the same value. It is certainly not an under-estimate to allow for an increase in imported materials proportionate to the increase in exports; and we must accordingly scale up the additional exports required by at least £200 millions in order to pay for the additional imports which will be used in making them. This would give us a total of at least £1,030 millions as the target for post-war British exports, valued at pre-war prices. This is apart from any additional exports that might be needed to pay for *increased* imports of foodstuffs or manufactures, and from any worsening in the 'terms of trade'.

But is an increase of British exports on anything like the required scale in prospect? On the surface, the indications point quite the other way—to a pretty certain loss of a part of Great Britain's pre-war export markets, and to no certainty at all of gaining any considerable new markets in their stead.

On this line of reasoning, what remedy are we to apply to a seemingly almost desperate situation? One answer—the answer of traditional capitalism and traditionalist economics—is that there is no remedy but a drastic curtailment of the British standards of life. Drastic wage-reductions, we are told, will both bring down the costs of production and so enable British producers to capture more overseas markets, and will reduce the demand for imports by reducing our standards of life. Thus the account will again be balanced at a lower level of imports, and all will be well—except that we shall be much poorer, and shall have to give up all our visionary projects of social security and a decent minimum income for every family. This is, no doubt, regrettable, the more sadistic economists will tell us with righteous glee. But we must cut our coat according to our international cloth: there is no help for it, if we are not to become before long a bankrupt nation.

True; we must cut our coat according to our cloth. But is there not, behind this argument, a tacit assumption that, despite increasing world productivity, all the world's cloth is to be almost

as scamped as ours? For, if we in Great Britain can no longer afford to buy the quantity of imports we have bought in the past, who is going to buy them in our stead? Who, if we fall out of the market, will have both the need for the goods we no longer buy and the means of paying for them? The Americans will no doubt have the means; for they will be both the world's creditors and the possessors of most of the world's stock of gold and the people best placed for driving a large export trade. But will they need the goods, or be willing to buy them, in view of their capacity to supply many of the same things out of their own resources? Rubber and a few other raw materials which they cannot produce for themselves they will probably buy in increasing amounts; but they will hardly replace Great Britain as purchasers of the world's surplus wheat, or meat, or butter; and they will not be likely to expand their textile industries to such an extent as to use up all their own raw cotton. The old-fashioned economist will doubtless answer that, if Great Britain stops buying and no one else steps into the market to buy the same goods, the peoples who produced these goods will turn to other forms of production for which there is a more expansible demand. But to what alternative forms of production are these peoples to turn; and, even if alternatives exist, how quickly can they be developed without the aid of large masses of imported capital?

If Great Britain goes out of the world market, or seriously reduces its intake of other peoples' goods, the most likely effect will be an intensification of the forces making for *autarkie* and economic nationalism, at any cost in human welfare. Countries which have been producing agricultural goods for the world market will revert more to subsistence agriculture, the peasant eating his own produce since no one will buy it from him at a remunerative price, and the townspeople in the agricultural countries insisting on high protection for indigenous industries, however high their costs of production may be. At this rate, all the world will be much poorer than it need be; and Great Britain, so far from finding its problem of the balance of payments solved, will discover that as fast as it cuts imports, its exports experience a further fall, owing to the inability of its old customers to go on buying when they can no longer sell.

The remedy for Great Britain's international difficulties cannot lie in a curtailment of imports to the extent of the gap between pre-war imports and post-war exports. For imports and exports are not what statisticians call 'independent variables'. They react on each other, and must so react because exchange—swopping of goods for goods—remains the essential basis of international trade. This 'swopping' character of trade is often concealed—

because payments can be made in services instead of goods, because goods can be lent as capital investments and paid for by instalments over a period of years (or not paid for at all, beyond interest, as long as the money is left on loan, or at all, even to the extent of interest, where the money is lost). It is further concealed because, up to a point, payments can be made in gold, or deferred by means of movements of short-term capital from one monetary centre to another. There is no need for the trade between any two countries to balance, even in terms of all these factors combined, because A may import from B and export to C, and C may repay A's debt to B, and so on, through indefinitely complicated series of cross-payments from country to country. Nor is there any need for one country's receipts and payments to balance over any particular period, unless movements of short-term funds are taken into the account. But, despite all these complications, the *ultimate* basis of international trade is barter—giving something worth having, and getting something else worth having in exchange.

There are some persons who argue that it would be better for us all if each country lived more 'on its own', and if international exchanges were reduced to a minimum. This argument is understandable, when it is put forward on military grounds, with the object of making a country self-sufficient in time of war. It is understandable; but to how many countries has it any practical application? How many countries can render themselves strong for war without large imports, for which they must somehow pay? And what shall it profit a country in war to be able in peace to feed its own people, if its fields can be quickly overrun because of its lack of military strength? Only a very few countries are in a position both to feed and to arm themselves mainly out of their own resources; and even they must import certain essential supplies of which their home production is deficient or even does not exist. Moreover, even to the extent to which independence of external supplies is an advantage for war purposes, it can in most cases be pursued more easily and cheaply by building up stocks of imports than by diverting the national productive system to producing things which it can produce only at high cost. It is cheaper to stock wheat or sugar than to grow it under unsuitable conditions; nor is there any difficulty in building up large stocks, in a world based on production for mutual exchange.

The other basis on which national self-sufficiency is sometimes advocated in industrial countries is that there is something inherently ennobling in land work, and something inherently degrading in factory labour, or, alternatively, that countrymen make better citizens and better soldiers than town-dwellers, or

are healthier, or happier, or more 'natural', or I know not what besides. This is romantic nonsense. There is no evidence at all of any superiority of the countrymen over the townsmen in any of these respects; and there is plenty of evidence that, taking the world as a whole, there are far too many people working on the land and far too few doing other useful things. If the argument stops short at the contention that there is a great deal to be said in favour of a highly diversified national economy, and that it is possible for a country to have too little agriculture—though most countries have far too much, in relation to the scale of their industries—I have no quarrel with it. But agriculture for agriculture's sake, irrespective of the value produced by it in terms of human effort, is rank rubbish. What is important is that, if a balance is sought, the industrial country which decides to take steps to maintain agriculture shall be very careful to stimulate only those forms of agricultural production which are at least comparative disadvantage in competition with imports and are of the highest value in relation to health and pleasure for the consumers. In other words, there is much to be said in favour of securing in advanced industrial countries a large production of milk, fresh vegetables, fruit, and other foodstuffs of high nutritive value; but there is nothing to be said for stimulating high cost production of wheat or of any other commodity which can be readily imported and stored at a lower cost.

For Great Britain especially the course of plain advantage lies in maintaining, if possible, a high level of international trade on a basis of exchange of manufactured exports for imports of bulk foodstuffs and raw materials. Those who dissent from this view often argue as if higher agricultural production of all sorts and a higher standard of living for farmers and agricultural workers would go naturally together, and cover up the incoherence of their argument by phrases about "raising the national status of agriculture". It ought to be obvious that a higher standard of living for the agricultural worker is bound to mean one of two things, if not both—higher costs of agricultural production, or increased mechanisation of processes. To the extent that mechanisation brings down costs, the volume of production may be increased, but the number of workers on the land is likely to decrease. This is a healthy tendency, and ought to be encouraged. But to the extent to which costs are raised, as they will be by higher wages in some branches of agriculture, better standards of living for the countrymen will mean less agricultural production—for there are limits to the amount of subsidy a predominantly urban population will be prepared to pay for the pleasure of consuming home-grown instead of imported food. To the extent to

which British agriculture can stand on its own legs in competition with that of other countries, nobody disputes either its rights or its desirability; to the extent to which it can be sustained only by subsidies, open or concealed, at the expense of the consumers, its claims need to be most carefully scrutinised in order to ensure that every subsidy yields a satisfactory return in improved nutrition or in some other tangible social benefit.

That this careful scrutiny be made is in the interests both of the British people and of the world as a whole—and not least of the British Dominions. For there can be no worse service to the world's economy than to deprive it of its best single market for agricultural produce; and no expedient could be more certain to react disastrously on British exporting industries.

Let us now, in the light of what has been said, look rather more closely at the composition of British imports during the period before 1939. We have seen that, on the average of the years 1936–38, imports of raw materials averaged about £270 millions in value, or after deducting re-exports not worked up in this country £237 millions. Of this latter total, textile materials accounted for £86 millions, timber and paper-making materials for nearly £64 millions, raw metals and other mining and quarry products for £30 millions, seeds and nuts for £30 millions, rubber for just under £9 millions, and hides and skins for £8½ millions, leaving about £9½ millions for all other raw material imports apart from foodstuffs. By far the largest single items were timber £42½ millions, wool £30 millions, seeds and nuts £30 millions, and cotton over £28 millions.

These were among the essential raw materials of British industry. The timber and the seeds and nuts were mainly for home consumption, the cotton and the wool partly for the home market and partly for export as finished or semi-finished goods. Of timber, it is out of the question to replace imports by home production for a long time to come, even if we set out to do so. Indeed, we have been using up our scanty woodlands at such a rate during the war that after the war we shall need not less but more imported supplies. Seeds and nuts are mainly of kinds that cannot be produced in Great Britain, or dispensed with to any substantial extent without disastrous reactions. For wool, the figure given is a net figure, after deduction of annual re-exports of £13 millions. We could doubtless cease to import and re-export raw wool, but only to our own disadvantage; for we sell it for more than we pay for it, and thus acquire foreign exchange by the transaction. For the rest, we can cut down imports of raw wool only if we either decrease our exports of manufactured wool or woollen goods or lower our own consumption of such goods. The same

conditions apply to cotton, which is exported in manufactured form to an even greater extent. Possibly the further growth of the production of rayon or other artificial textile fabrics may reduce by a little our bill for imported textile materials. But this factor is not likely to be of great importance in itself. If our bill for net imports of textile materials falls off, it is much more likely to be because of a loss of export markets than because of anything else.

The remaining large items in our bill for net imports are for paper-making materials £16 millions, non-ferrous metal ores and scrap over £15 millions, iron ore and scrap nearly £11 millions, rubber nearly £9 millions, and hides and skins £8½ millions. Paper-making materials are derived mainly from timber, and the same objections apply to any suggestion that they can be cut down—unless we are to make do, in peace as in war, with smaller newspapers, fewer books, unwrapped parcels, and difficult expedients for lighting fires. Fewer Government circulars we can perhaps make shift with; but the economy in paper will not be large. A civilised community needs a great deal of paper and, unless it possesses large forests, must depend mainly on imported supplies. Non-ferrous metals are essential for the higher types of engineering, and are for the most part found in Great Britain only in small quantities. The figures of imports under this head were no doubt swollen in 1937 and 1938 by re-armament, but not to any great extent, or we should have entered the war better prepared. The demand for non-ferrous metals is more likely to expand than to contract with the further advance of industrial technique; and, here again, a fall in British consumption would connote a decline in the higher types of industry rather than the achievement of a better balance, and would almost certainly mean a loss of some of the most valuable types of export trade. Iron ore may doubtless be derived to a larger extent from home sources; but this depends in part on the types of iron and steel goods produced. British ores, though fairly plentiful, are largely of low grade, and are not by any means perfect substitutes for the higher-grade ores of Spain, or Algeria, or Sweden. It will be surprising, and not advantageous to our industries, if this item falls off; for we shall emerge from the war with an increased total capacity for steel production, and a higher output of British ores will be called for if ore imports, so far from being reduced, are not to increase considerably. Rubber is a commodity for which increased demand is certain; and if we have not found it convenient to develop synthetic rubber production under war conditions, we are most unlikely to resort to that expedient on the morrow of the war, or at all, unless the cost is very greatly reduced by new technical developments. Finally, hides and skins are a joint product of stock-breeding and, if Great

Britain continues to import large quantities of meat, it follows that it will import the materials for leather-making as well.

It is not worth while to pursue the argument any further. It is perfectly plain that there can be no prospect of any considerable fall in the British bill for imported raw materials—unless indeed we are to take to importing the same materials in manufactured or semi-manufactured form—which, so far from improving our trade balance, would make it much more unfavourable than it is. If Great Britain is to continue as a considerable exporter, even at the pre-war level, the British need for raw-material imports is likely to remain approximately at the pre-war level too; and if British exports are to increase, raw material imports will have to increase with them. There is no prospect at all either of raising British standards of consumption of industrial goods or of selling more British exports without bringing in more raw materials from abroad. Great Britain is about as ill-placed as any great manufacturing country could well be for the pursuit of *autarkie*. Coal is almost the only vital raw material of industry which we possess both in abundance and in high quality.

What, then, of foodstuffs, which, with drink and tobacco, accounted for a net average value of over £402 millions imported in the years 1936–38? Drink and tobacco will doubtless give rise to differences of opinion which have nothing to do with economics. Of these, tobacco accounted for rather over £19 millions, and wines and spirits for rather over £9 millions. Tea stood at nearly £24½ millions, and coffee and cocoa together at rather over £5 millions. These are all commodities which, for all practical purposes, cannot be produced at home. On tea, coffee and cocoa the British people is unlikely to economise unless it must: indeed, a population including more adults and fewer children is likely to increase its total consumption. As for tobacco, we are said to be consuming more during the war than we were before; and this argues that the commodity is one for which there is an expanding demand whenever purchasing power is increased. Our post-war demand for tobacco will depend on our post-war standards of living. It will rise if living standards rise for the main body of the people, and fall if they fall. It is therefore unpredictable, except in connection with a general estimate of future standards of living, though here too it is pertinent to observe that more adults and fewer children mean more smoking at any given standard of life.

For wines and spirits—of which wines account for the greater part—the demand comes chiefly from the well-to-do. The less wealthy consumers, when they do not stick to beer, drink mainly Scotch whisky or English gin. The demand for imports may therefore fall off quite sharply if there is a severe fall in the con-

suming power of the rich. But it will not make much difference to the balance of trade if it does. The revenue will be the principal sufferer. There is, indeed, a very good case for giving people a chance of drinking simple wines at a reasonable price, as ordinary men and women do on the Continent, where the wine is grown, with no harm to anybody. Spirits are another matter, as memories of the gin-palace survive to remind us. But wine is no criminal; and if we want to do a thriving trade with the French after the war, we might well do worse than give ourselves the pleasure of drinking their healths in an inexpensive glass of claret. I can remember the day when I could—and did—buy a decent bottle of *vin ordinaire* at a Soho restaurant for a shilling. I should like my children to have as good a chance.

This will not please the teetotallers; and it is not a matter of much account from the angle of trade balances. *Majora canamus.*

On the average of the years 1936–38, imported meat (including animals for food) cost Great Britain nearly £93 millions. Grain and flour (excluding maize, which counts with fodder) cost nearly £58 millions. Butter and cheese cost nearly £56 millions. These were by far the largest items in our bill for imported foodstuffs. Feeding stuffs and maize cost £29½ millions, fresh fruit nearly £26 millions, and sugar £20 millions. Thence the totals drop to eggs £13½ millions, dried and preserved fruits £12½ millions, fresh vegetables £9½ millions, and fish not of British catching nearly £9½ millions. The only considerable items remaining are edible oils and fats nearly £6 millions, and milk and milk products about £3 millions.

Which of these imports are we to dispense with if we have to cut down our oversea purchases after the war? Meat is much the largest item; and we could undoubtedly produce more meat at home. But, in order to do this, we should have to increase the bill for imported fodder—at any rate, unless there were very great changes in our agricultural technique. There is a more serious objection. Meat production and milk production are rivals for the use of British pastures; and it can hardly be questioned that, if we have to choose between the two, the right choice will be an increase in our output of milk. For milk in its liquid form cannot be imported; and more liquid milk is precisely what we need most in the interests of the nation's health. Pig production we could probably increase without adverse reactions on other branches of agriculture, if we went the right way about it. It is a matter of improving the quality of British bacon, up to the standards set by the Danish producers. That, hitherto, we have on the whole failed to achieve; but there is no reason why we should not achieve it. If we do, the Danes will probably look in

vain for alternative markets, and be forced to change permanently the structure of their agriculture. Still, we may have to cut our imports somewhere; and, if we are forced to do this, pig-meat is one of the possibilities. Before the war, we were producing from 40 to 45 per cent of our pig-meat at home. We may have to raise the proportion; but we shall not satisfy the consuming public unless we also improve the quality.

After imported meat in total cost come grain and flour; and there are some agricultural reformers who have a hankering to bring us nearer to self-sufficiency in these products. But it is plain enough that we cannot increase our arable acreage substantially without adding greatly to the expensiveness of the marginal product. Economical wheat-growing, except on a very restricted acreage of exceptional land, requires one of two things—wide prairie or cheap labour—and Great Britain has neither. It would be a topsy-turvy world in which we had to set to work to cut off Canadian and Australian noses in order to spite our own face by producing inferior millable wheat at high cost instead of buying superior wheat at a much lower cost from our own Dominions. There is no present fear of a wheat shortage after the war, that we should set up in the business on an extended scale. There is a case for growing *some* wheat in Great Britain, on the exceptional soils of certain of the Eastern Counties, or elsewhere as a minor element in crop rotations on mixed farms. But in general British wheat is better made into biscuits or fed to poultry than used in baking bread; and experience has taught us that subsidies designed to increase the wheat acreage do so more by diverting land from barley or oats than by adding to the arable total, and that attempts to get over this difficulty by subsidising the alternative crops as well are apt to dip too deeply into the consumers' pockets. Finally, if it is argued that we ought to aim at a high level of wheat production in readiness for the next war—and then presumably for the next after that—the answer is that storage is a good deal cheaper than growing wheat on more than a modest scale on British soil.

Grain is, after all, a *cheap* import. A sharp rise in the world price, in relation to other prices, might doubtless make a difference. But wheat-growing is much more likely to be cheapened on the prairies or in the peasant countries, where there is room for a great rise in productivity, than in Great Britain, where there are no wide spaces and the countryman is pretty certain to insist on a higher standard of living than he has been accorded in the past. We shall not pull our trade-balance chestnuts out of the fire by growing more wheat; we shall only lower the standard of living of our own people and at the same time damage the

Dominions and reduce both their capacity and their willingness to buy British goods. No remedy lies that way.

When we turn to butter and cheese we are on more doubtful ground. Let us observe, first of all, that in order to produce more of these at home we must produce more milk—for we have assuredly no surplus milk to divert from liquid consumption beyond what we were diverting before the war; nor, if we behave sensibly, any at all. It is to our advantage to drink much more milk than we have been used to drinking; and that means that, until we have greatly increased total production, we should have little to spare for butter or cheese beyond a part of the seasonal surplus of the summer months. But a butter- and cheese-making industry based on seasonal surpluses is not likely to be very economical, in comparison with the all-the-year-round industries of such great producing countries as Denmark and New Zealand. I do not venture to say whether we can profitably in the long run so increase our total output of milk as to have a substantial surplus in all months for turning into butter or cheese. I do say that we cannot possibly be in such a position for a long time to come, and that in the meantime we ought to drink our milk, and use but a little of it in making farmhouse butter and the excellent local cheeses we are in danger of quite forgetting to make in our anxiety to produce a plausible British imitation of standard Dutch or Canadian cheese.

I see, then, no room for an economy on our imports of butter and cheese—unless indeed our standards of living are actually to fall—and assuredly I see none for an economy in our imports of fresh fruit. Oranges, over £7 millions: apples, over £5 millions: bananas, nearly £5 millions: nuts, nearly £2 millions: grapes, £1½ millions: peas, nearly £1½ millions: grape-fruit, £1 million: lemons, £1 million: plums, half a million—these are the principal items, and it will be seen that the greater part of what is imported could not possibly be produced at home. By all means let British orchards produce all the fruit that can be got out of them: there will remain the need, not for a reduction but for an increase in imported supplies. Fruit is, next to milk, the food of which the majority of people in Great Britain go most seriously short; and oranges are the imported fruit most widely consumed and most certain to be more in demand if fruit-consumption is increased. Apples we can indeed grow more of, and I hope we shall. But even if the home output is greatly increased, apples all the year round will mean large imports. A cut in our bill for imported fruit would be a sure sign of a falling standard of life.

Sugar comes next; and here is a case in which Great Britain has in recent years come to depend much less than before on im-

ported supplies. But at what a cost! All the beet-sugar grown in Great Britain during the past twenty years could have been replaced by imported cane-sugar, and all the subsidy paid for growing it paid for the service of *not* growing it, for the price the public has had to pay for the privilege of having a home output of sugar-beet. This is not the less lunatic because plenty of other countries have been at the same game. Beet-sugar is uneconomic: it is a way of subsidising the farmers of Eastern England so as to balance the advantages accorded to the milk producers of the West. Sugar-beet is doubtless a 'good cleaning crop'; but can that be held to justify paying out millions a year in subsidies while the cane-sugar producers, who can supply all that is wanted at a much lower cost, are unable to find markets for their produce? If we are driven after the war to continue subsidising the cultivation of sugar-beet in order to redress our balance of payments, our situation will be parlous indeed. I say nothing of the notorious fact that much of the subsidy accrued not to the farmers but to the industrial producers of beet-sugar; for that does not affect the present argument—though there are other arguments to which it is highly pertinent.

Eggs? We could do with many more, home-produced or imported; for here again is a valuable food of which the great majority have been going short. I should like to see these additional eggs—and the poultry to go with them—produced at home; for poultry-farming is a specialist branch of food production for which this country is eminently suitable. We cannot, it is true, have a larger output of eggs and poultry without increasing our bill for imported feeding-stuffs. But that is greatly preferable to importing the eggs and poultry; for the industry is one which is capable of adding a high value to the materials used up. There is room for a big growth both of poultry farms and of farmyard poultry on general farms—to say nothing of garden poultry for egg-production outside the market. But I do not anticipate that these developments will bring with them any substantial decrease in imported supplies. Such a decrease will occur only if our standards of living fall; and if that is allowed to happen, it is highly improbable that our domestic production will increase.

Dried and preserved fruits, which come next in value, are mainly non-competitive with home-grown products. Currants, sultanas, raisins and dates do not grow in England; but the housewife cannot easily dispense with them. Probably the demand for them would expand much less with a rising standard of living than the demand for fresh fruit; but it would also fall off less if the standard of living were reduced. Here, then, is a fairly stable item in our bill for imported food.

Fresh vegetables we could import less of, and grow more at home, chiefly at the cost of seasonal shortages or going without such things as early potatoes. This is a branch of agriculture in which we ought plainly to aim at a great increase. There should be larger market-garden belts round most of our towns; for fresh vegetables are needed for health in much larger quantities than they are ordinarily consumed. On the average of the pre-war years we paid nearly £4½ millions for imported tomatoes; £2½ millions for imported potatoes (including 'earlies'); over £1½ millions for imported onions; and £½ million for imported lettuces. We can grow most of these at home if we want to, as cheaply as we can buy them from abroad. We can, indeed, grow many more. But if we want 'before-season' vegetables, we must go on importing them. That, of course, is mainly a matter of the post-war distribution of purchasing power. The richer classes are the consumers of most of the out-of-season produce. A rise in the standards of living of the poorer would not create a demand for it. So it all depends!

Fish? We are exporters as well as importers of fish, and shall continue to be both if we behave with sense. Of late years our exports have fallen off, as other countries—particularly Germany and Russia—have developed their fisheries; and this tendency of our former customers to provide their own supplies is likely to continue. Our home consumption of fish ought to increase, and could increase fast with improved organisation of the trade, especially on the distributive side. If it does increase, there ought to be no difficulty in meeting the demand by the labours of our own fishermen. Give them the means to buy good boats, good harbours for the boats to lie in, and good facilities for marketing—including canning and curing—at the ports; and the rest can be left to them, if only we put the distribution on a reasonably economical basis. We can cut our bill for fish imports if we wish; but the major thing is to give our own fishermen a decent chance.

Oils and fats? If we want margarine, we need these to make it with. In peace-time the demand for margarine falls off, as the demand for butter increases, with the wealth of the consumer. But we are not likely all to be wealthy enough to do without margarine after the war.

Finally, milk and milk products? Imports of these we may be able to do without, if we increase enough our own milk production. But the value involved is small.

It should, of course, be borne in mind that throughout the foregoing pages we have been discussing pre-war imports in terms of pre-war prices, and that there is no good reason for ex-

pecting the level of prices to be the same after the war. What it will be, I do not pretend to know; but if we conduct our affairs sensibly in a sensible world—a large assumption—it is likely to be substantially higher than before the war, but not astronomically higher. Generally speaking, it is unwise either to raise or to lower the level of prices by monetary action. Monetary policy should aim as a rule at shifting price-levels as little as possible. This is not to say that the aim should be to keep prices stable, which is quite a different thing. What is called the general 'level of prices' is an average made up of a number of different prices of particular things; and each of these prices is continually subject to special influences, such as changes in the technique of production, or in the cost of particular factors, such as special kinds of labour. It is right that these factors should be allowed to influence prices, in the absence of very particular reasons to the contrary. No one thinks a thing ought to go on costing as much as before, even if the cost of producing it is halved—or doubled. But for some mysterious reason many persons do suppose that the general average of all these particular prices, weighted in rough accordance with their importance, ought to be kept stable. Why, it is difficult to see; for there is no reason why the movements of particular prices should tend to cancel out.

The aim of monetary policy should be, not to stabilise the 'general level of prices', but to avoid tampering with it, save for very good reasons. If in a depression prices have fallen very low, and there are large resources unemployed, it may be wise to use monetary methods of increasing employment up to the point at which most resources are in use. But when prices have risen sharply and remained for some time at a high level, for whatever cause, it is usually most unwise to set about reducing them by monetary means. Most money costs rapidly adjust themselves to a rising price-level; and enforced price-reduction, not due to a fall in real costs, is almost certain to cause widespread dislocation and depression. Whatever height prices may have reached at the conclusion of the present war, it will probably be the best policy to leave them where they are, rather than to attempt to reduce them by monetary means. If thereafter real costs of production fall owing to improved efficiency, prices can be left to come down of themselves, and their doing so need cause no dislocation.

From the standpoint of this chapter, what really matters is not the post-war level of prices in general, but the post-war relation between the prices of different kinds of goods. Before 1939, there had been a marked fall in the prices of most agricultural, and indeed of most primary, commodities in terms of the prices of manufactured goods. A ton of wheat, or of copper, would buy

fewer finished consumers' goods, or less machinery, than it had bought ten or twenty years before. This change in relative prices, to the extent that it was not offset by open or concealed subsidies, had worsened the economic position of agricultural and other primary producers in relation to the manufacturing elements—though some of the manufacturers were also losers, where the inability of the primary producers to buy their goods had thrown them out of work, or their capital below the margin of production.

It is quite possible that this tendency will be reversed after the war, and that the prices of primary goods will rise again in relation to the prices of manufactures. If this happens, Great Britain will have to pay more for its necessary imports, in terms of its own exports, which are mainly manufactured articles. This will tend, in the first instance, to widen the already wide gap between British import and export values, and to make the problem of balancing the account more difficult. But it will also, by adding to the purchasing power of the primary producers, enable them to import more—not of course necessarily from Great Britain. If British manufacturing industries are efficient, in relation to those of other countries, Great Britain will benefit by this increase in the purchasing power of the primary producers, and the problem of balancing the account may become before long easier, and not more difficult. But this depends essentially on the prices and quality of British products. If British producers can be undersold, quality for quality, by other producers, the British people will get the disadvantage of having to pay more for their imports, without the advantage of being able to sell more of their exports. Indeed, they will be able to sell less; and under these conditions the problem will become insoluble without a drastic cut in imports. And that, as we have seen, will mean a drastic cut in British standards of living.

The efficiency of British industry after the war is therefore a matter of the most direct and urgent importance to every person in Great Britain. It is vain to build Utopias—or plans for the extension of social security—except on a foundation of high industrial efficiency. This will remain true, whether the post-war economic system be based on Socialism or capitalism—unless indeed it is to be assumed that either of these systems is in itself a guarantee of efficiency. Capitalism, we know by experience, is no such guarantee; and we shall be wise to act on the assumption that Socialism is no guarantee either. Personally, I believe that under the conditions of the twentieth century Socialism is, and capitalism is not, a system on which a superstructure of efficient production can be raised. But that is very different from supposing that,

when once we get Socialism, the efficiency will follow of its own accord. The Russian example should teach us the contrary: the Russians have had to fight for every ounce of efficiency they have achieved, though they set out from a basis of socialised industry, trade and finance. So shall we have to fight for efficiency; and I venture to doubt whether our fight will be much easier than theirs. We have, no doubt, immense advantages in highly skilled man-power and technical knowledge, which they are even now painfully struggling to build up. But, as against this, we have a terrifying legacy of inertia and anti-social restrictiveness which will not be easy to overcome. Industrially, Russia is a new country, and Great Britain an old one; and it is harder to revive a decaying economic system than to build a new. I hope, through all that is said in this book, my readers will bear this in mind, and will not accuse me of talking capitalistically because I insist that they cannot enjoy a good standard of living without working manfully for it—or without applying their brains as well as their hands to the task.

CHAPTER III

IF WE ARE TO LIVE BETTER

IT FOLLOWS from what has been said in the previous chapters that it is of supreme importance to the people of Great Britain that the world as a whole shall be prosperous and shall advance as rapidly as possible in wealth and productivity. If we are to live better, we can do so only by providing other peoples with the means of living better too. Indeed, the world must prosper if we in Great Britain are to live at all, at the standards to which we have been accustomed—to say nothing of making these standards better. It should by now be clear that the population of Great Britain cannot possibly live well—if indeed it can even exist at all in anything approaching its present numbers—without large imports, and that projects for making Great Britain self-sufficient in foodstuffs and the materials of industry are fantastic nonsense, and even projects for reducing considerably our dependence on imports could not be brought about without a sharp fall in our standards of living. Even if we could produce at home enough food for us all to subsist upon, this would not afford the all-round supplies which a satisfactory standard demands; and even so the requisite quantity could be produced only at a cost in effort which would take away much labour from other tasks, and so reduce our standards in other respects. I do not need to argue the point that a mere re-distribution of wealth, at the pre-war total,

on a more equal basis would not solve the difficulty. On that point, the figures speak for themselves. If, in 1939, every personal income of more than £500 a year, after payment of direct national taxation, had been confiscated for division among the poor—assuming such a process to be possible under the pre-war economic system—the yield of this process would have been about £860 millions. This sum, divided equally among all families with incomes of less than £500, would have given each family about £70 a year above its existing income. Poverty would have been alleviated, but not cured. In order to abolish poverty, we need more production as well as better distribution; and there is, of course, no reason why we cannot have both if we behave sensibly in facing our post-war problems.

Let us get back to the impracticability of feeding ourselves satisfactorily out of the produce of our own country. We need not go back to the question of raw materials; for that was sufficiently dealt with in the previous chapter. Before the war, we produced at home approximately the following proportions of our total consumption of a number of the most essential foodstuffs:—

PROPORTION PRODUCED AT HOME

	1937-38.
Beef and veal	45
Mutton and lamb	39
Pig meat	43
Poultry	67
Eggs	51
Milk and milk products	34
Wheat	20
Barley	39
Potatoes, main crop	95
„ earlies	84
Hops	82
Sugar	25 (approximate)

The production of these foodstuffs was in most cases already being subsidised, directly or indirectly, by various protective devices. For some time before the war agricultural subsidies were being doled out with a lavish hand; and yet the effects on total production were not very great, nor had our dependence on imported foodstuffs been, save in a few cases, appreciably reduced.

But, it will be said, a large proportion of these supplies was drawn from sources within the British Empire, mainly from the British Dominions. That is quite true, as the following figures show:—

BRITISH FOOD IMPORTS

Proportions Derived from Sources within the British Empire

	1931.	1936.	1937.	1938.	Average, 1936-38.
Meat D, Q	32	48	47	48	48
Dairy produce . . . D, Q	47	55	56	54	55
Eggs and egg products . . D	18	15	19	10	15
Wheat and flour . . . D	46	84	68	66	73
Main vegetables . . . D, Q	24	30	38	39	36
Fruits (competitive with home-grown sorts) . . . D	38	?	72	69	71 (2 years)
All food imports . . .	38	55	53	51	53

D = Subject to import duties.

Q = Subject to quantitative restrictions.

It will be seen from this table that during the years before the war rather more than half Great Britain's imports of foodstuffs were derived from empire countries, and that the proportion had increased considerably since the introduction of protective duties and restrictions during the crisis of 1931-32. There was, however, no tendency for the proportion to go on rising, after the immediate effect of the restrictions in raising it had been felt. Indeed, the short-run tendency was rather the other way.

This rise in the empire proportion of total food imports was accompanied by a fall in the total volume of food imports from the high level reached in 1931. According to the index published by the Oxford Agricultural Economics Research Institute (from whose publications most of the foregoing figures have been taken), the total volume of imports fell from 117 in 1931 to 103 in 1937, rising again to 106 in 1938 as a result of precautionary building up of war stocks. (The basis for this index is 1927-29 = 100.) On this same basis, the index for imports from the Empire in 1938 stood at 143, whereas that for imports from foreign countries had fallen to 83 (79 in 1937). There had been a marked shift from foreign to empire sources of supply.

But does the fact that, owing to protective devices, Great Britain has been drawing a full half of its food imports from the Empire really affect the situation? Empire countries are no more ready than others to supply these imports without payment; and exports must be available to pay for them save to the extent to which there is still British capital invested in the empire countries

from which they are drawn. It is true enough that the Dominions need the British market, and are prepared to grant preferences to British exporters of manufactured goods to the extent to which this can be done without checking the development of such industries as they are themselves determined to foster. There is accordingly a considerable element of barter in the exchanges of Dominion foodstuffs for British manufactures. But it by no means follows that the Dominions will be ready to receive a much larger quantity of British manufactures if Great Britain will in return buy a much larger proportion of its food imports from empire sources. To bring about this diversion of trade was the main object of the Ottawa Agreements arrived at during the world crisis of the early 'thirties; and the increased proportion of imports from empire countries was the result. But the Ottawa negotiations showed how great were the difficulties in the way of securing a large expansion of British manufactured exports to the Dominions, in face of their determination to protect the development of their own industries. In general, there was much more readiness on the part of the Dominions to raise still higher their tariffs against foreign imports than actually to lower the duties levied by them on imports from Great Britain.

Clearly, Great Britain cannot dispense with food imports (even less, with imports of raw materials) from foreign countries. This would be possible—I am not now discussing its desirability, supposing it possible—if the Dominions were ready to accept an enormously increased quantity of British manufactures in exchange. But they are in fact much less likely to be ready to do this than many less developed countries which badly need both outlets for their agricultural and mineral products and imports of capital goods for the development of their agriculture, industries and services and of consumers' goods which they are not equipped to produce at home.

The pursuit of empire self-sufficiency in food supplies is in effect a vain pursuit. This line of policy was pushed to its limit during the 'thirties, and showed very disappointing results. It is true that in 1938 the empire countries took in value about 50 per cent of British exports, whereas in 1929 and 1930 they averaged only 44 per cent. But over this period the total value of British exports fell from £729 millions in 1929 and £571 millions in 1930 to £471 millions, and the estimated total volume by about 15 per cent between 1930 and 1938. The empire countries were not increasing their intake of British manufactures: they were only taking a higher proportion of a reduced total amount. The value of British exports to empire countries fell from £324 millions in 1929 to £235 millions in 1938.

It is indispensable for the British people, from the standpoint of their food needs as well as of their needs for raw materials, to preserve and develop an active foreign trade with the rest of the world, and not merely with the British Dominions. Nor ought this to be, to any sensible person, a matter for regret. If it were possible for the British Empire, or for what is left of it, to shut itself up into a self-contained economic group, with very restricted trade relations with the rest of the world, the effect of this isolation would be to force similar *autarkies* upon others, to foster the creation of other separate groups, and to deny the world the advantages which are to be derived from the processes of international specialisation and of active exchange between those countries which are best able to supply one another's needs. This is not a plea for Free Trade in the old, nineteenth-century sense. World-wide exchanges are fully compatible with the organised conduct of international trade by States or trading agencies acting under public auspices. But, if we are aiming at world plenty and the speedy development of world productive resources, we must by no means shut up each country, or group of countries, in a separate box. We must, on the contrary, aim at giving international trade a much more universal character than it actually had when Free Trade was in its heyday after 1860.

Let us turn back from this digression to consider again the nature and extent of Great Britain's food needs in the post-war period. And let us do this now on the assumption that the standard of living of the British people is to be made more adequate from the standpoint of nutrition and of what the consumers actually want. It is to be noted at this point that if, without any increase in total income per head of population, we were to set to work to improve the position of the poorer sections of the people by better distribution of incomes, the effect would be to increase the amounts spent on food, and therewith to increase the demand for imports.

The easiest line of approach to answering the question 'What additional foodstuffs would be called for if the incomes of the poorer sections of the people were increased?' is to discover in what proportions expenditure on the various kinds of food does actually differ between households at different levels of income. There are a good many sources from which data for such comparisons can be drawn; but, for reasons of space, I shall content myself with a single example—merely observing that the use of further examples would yield fairly similar results. The chosen example is taken from that very useful compilation, *The Home Market*, by Major G. Harrison and F. C. Mitchell (1939 edition);

and these authors in turn derived their data mainly from the Merseyside Social Survey of 1934. The example, in order to secure comparability, relates only to a single size of household, consisting of two adults and one child—a very common type in these days; but the results for households of other sizes would probably not be different enough in most respects to invalidate the very broad conclusions which I shall attempt to draw.

Let us see, then, on the basis of these data, in what proportions expenditure on certain kinds of foods varied for households of a uniform size, living at different levels of income. I shall take but three income levels, leaving out the highest and the lowest recorded in the original data. The three typical households chosen have, respectively, family incomes of £3 2s., £3 17s. 6d., and £5 a week for two adults and one child. What do they spend, on the average, on the different kinds of food, and what are the percentage variations in this expenditure at the different income levels? Here, first, are the average expenditures:—

EXPENDITURE ON FOODS OF AVERAGE HOUSEHOLDS AT CERTAIN INCOME LEVELS

Weekly expenditure on—	Family income level for week.		
	£3 2s.	£3 17s. 6d.	£5.
	s. d.	s. d.	s. d.
Meat	7 11½	8 11½	11 3½
Dairy produce	6 10	7 11½	10 4½
Bread and breadstuffs	3 6	4 1	5 4
Vegetables and fruit	3 1½	3 9½	5 11
Tea	1 7	1 11½	2 8
Sugar and jam	1 4½	1 8½	2 8
Cereals and condiments	2½	7½	1 5½

Now let us turn these average expenditures into percentages of the first column—that is, of the expenditure of the lowest-income group chosen for comparison—not, of course, the lowest-income group found; for there were, at the time of the inquiry, plenty of households with family incomes of much less than £3 2s. a week. This use of the figures shows the following results, which illustrate the actual increases in the demand for the various foods as the standard of living rises from a lower to a higher—but not to an absolutely high—level.

RISE IN EXPENDITURE ON CERTAIN FOODS AS FAMILY INCOME RISES

(In percentages of actual expenditure at family income of £3 2s. a week)

Weekly expenditure on—	Family income per week.		
	£3 2s.	£3 17s. 6d.	£5.
Meat	100	112·3	141·6
Dairy produce	100	116·8	152·0
Bread and breadstuffs	100	116·7	152·4
Vegetables and fruit	100	121·2	188·1
Tea	100	123·7	168·6
Sugar and jam	100	122·8	194·1
Cereals and condiments	100	310·1	710·0

These figures are at first sight rather surprising. We have generally been taught to believe that the demand for bread is the least elastic of all demands for food, and that consumption actually falls off as income rises and more expensive foods can be substituted for bread, which is the cheapest way of getting the basic nourishment. We have also been taught to expect that the demand for meat will rise as income rises, and it is substituted for bread. But in fact, on the basis of this evidence, the demand for breadstuffs continues to expand faster than the demand for meat up to an income level not merely of £3 17s. 6d., but of £5 a week. This is no doubt partly because cakes and biscuits are included with bread; but the relatively low level of expansion in the demand for meat is highly significant. On the other hand, it is quite in accordance with expectation that the demand for dairy produce, vegetables and fruit, sugar and jam, should expand fairly slowly as income rises from £3 2s. to £3 17s. 6d., and thereafter very fast as an improvement of income makes it possible to introduce greater variety into the diet. The exceedingly high rate of expansion in the demand for cereals and condiments at both levels is also quite natural, and is, of course, due to the same cause.

These figures, it should be stressed, show, for what they are worth, not what households *ought* to spend on the various foods in order to get the best value in diet for their money, but what they do actually spend, or rather what they did spend at the time when the Survey was made a few years before the war. Very possibly, experts in diet would prefer a different distribution of the expenditure at all the income levels. But we are dealing here with what people will buy, on the assumption of free choice, and not with what they would buy if they were all put under doctors'

orders. It should also be observed that, as the figures are all for a single type of household, in which there is only one child, they will tend to underestimate the relative demand for dairy produce among all households, irrespective of their size and composition. We shall come back to this point later on; but in the meantime we can reasonably use the figures as a basis for estimating the rise in food supplies for which we should have to make provision if we were to set about raising our standards of living in the proportions equivalent to the gaps between the specimen levels of income given in the table.

I have given in a previous book, *The Condition of Britain*, estimates, based largely on the data provided by Sir John Orr in his *Food, Health and Income*, of the amounts by which it would be necessary to increase the supplies of the principal foodstuffs in order to secure for the entire British people a satisfactory minimum standard of nutrition; and I reproduce the relevant conclusions without repeating from that source the arguments on which they depend. In this chapter we are concerned directly, not with

HISTORIAL AND REQUIRED INCREASES IN FOOD CONSUMPTION COMPARED

	Percentage increases in total supply required to raise all lower groups to existing average of—				Actual percent- age increase in <i>per capita</i> consumption,
	Group III.*	Group IV.*	Group V.*	Group VI.*	1909-13 to 1934.
Fruit	9	25	53	124	88
Vegetables (except potatoes)	9	25	47	87	64
Milk †	8	16	42	80	? ‡
Butter †	8	15	24	41	57
Eggs	7	18	27	55	46
Meat	7	12	18	29	6

* The reference is to Sir John Orr's six income groups, consisting of households in which the weekly family income per head is as follows: Group I, up to 10s.; Group II, 10s. to 15s.; Group III, 15s. to 20s.; Group IV, 20s. to 30s.; Group V, 30s. to 45s.; Group VI, 45s.

† It should be noticed that, against these increases, there would be a fall in the consumption of margarine and condensed milk. If all the lower groups were raised to the standard of Group VI, the consumption of margarine would fall by nearly one-half, and that of condensed milk by more than one-half.

‡ The home-produced milk supply increased by 20 per cent between 1924 and 1934.

(This table is reproduced from *The Condition of Britain* (Victor Gollancz, 1937), p. 131, where it is more fully explained.)

these physical quantities, but with their cost—or rather, since it is impossible to estimate their cost in post-war prices, with their cost in terms of British exports on the assumption of an unchanged relation between import and export prices. In the light of what has been said, it seems safe to suggest that a tolerable *minimum* standard of nutrition could not be assured to the whole population without an increase of at the very least 20 per cent per head in the nation's food bill; and, if we are to assume free choice by the consumers in spending their incomes, 30 per cent would be a much more reasonable figure to take. Over and above this, we have to make allowance for an increase in the total population needing to be fed; for the population of Great Britain is still increasing despite the fall in the birth-rate, and is also coming to include a higher proportion of adults—which means a larger total demand for food. The most recent forecasts of population during the coming years give totals for Great Britain of approximately 47 millions in 1945 and 47½ millions in 1951. Taking the latter total, we must estimate for an increase of rather over 2 per cent on the population of 1939, or, allowing for the increased population of adults, say, for an increase of 3 per cent in food consumption at the 1939 standard of living. To this we must now add the appropriate allowance for improved standards of consumption, which means that we ought to provide in all for an increase of at least a quarter, and if possible one-third, on pre-war food consumption.

The final result of these calculations indicates the desirability of a total increase of one-third per cent in British food supplies by about 1950. A part of this need can no doubt be supplied by increased home output, especially of milk, fresh vegetables, soft fruit, eggs and poultry, and perhaps pig meat. But most of it will have to come from abroad, unless there are very great changes both in the British agricultural system and in agricultural techniques.

Beyond this point I do not propose to push the argument. It is not my purpose to make any exact estimate of the post-war need for imports, but only to show in general terms that, if we are to live well, it is bound to be larger, and not smaller, than it was before the war. As we shall undoubtedly have to pay for a far larger proportion of these imports than before the war by means of current exports, the conclusion plainly emerges that it will be incumbent upon us to increase British exports by every means in our power.

How are we to set about doing this? If the world is to return to the old competitive scramble to sell goods in a limited market, and if trusts and cartels are to be allowed as before to choose the path of restricted production in order to hold up prices, there is

manifestly no chance of our succeeding. It is, to say the least, highly unlikely, now that many other countries have mastered the arts of advanced manufacturing technique, that Great Britain can ever recover its old-time supremacy as a manufacturing country. That supremacy was based on the long start which Great Britain got over other countries in the Industrial Revolution, on the adverse effects of the Napoleonic Wars on continental economic development, on the long-continued preoccupation of the United States with filling up its own empty spaces and exploiting its vast resources of free and fertile land, and on the early specialisation of Great Britain in the use of steam-power based on coal, of which we had abundant resources of high quality. There is, in the twentieth century, no means at all of reproducing these advantages over other nations. Great Britain can no longer hope to take the pick of world markets, leaving other countries to take what is left and to specialise in producing what British producers and consumers want to buy. As far as we can foresee the future, there will be no nation with a clear-all-round manufacturing supremacy over others: or, if there is to be such a nation, it will be, not Great Britain, but the United States, or perhaps the Soviet Union.

Manufacturing supremacy is, for Great Britain at any rate, no longer a practicable aim. But that does not mean that British prosperity is doomed to decay. It will, however, mean just that, unless we are prompt to take advantage of our opportunities to achieve, not supremacy, but a special position of our own as providers of industrial goods of high quality and highly skilled workmanship and design, and to adapt our economic system to the production of goods of those types for which there is likely to be a rapidly expanding world demand.

Such a demand, on the scale and of the diversity which are needed, clearly cannot arise except in a world which is advancing rapidly in total wealth. But in such a world it can and will arise on an altogether unprecedented scale. Hitherto, the abysmal poverty of the greater part of the world's population has been accepted by the vast majority of people—even by economists and projectors of social progress—as if it were an Act of God, and not an evil readily removable by the application of the appropriate means. But there is in truth no good reason why the people of India or China or Poland or Yugoslavia should be poor. I do not suggest that it is practicable to raise their standards of living suddenly to an equality with the standards of Western Europe. The change is bound to take time; but there is no reason why it should not begin almost as soon as the war is over, and speedily show great and salutary results.

For the peoples of these countries lack only two things to enable them to achieve a rapid advance in their standards of living. Or rather, they lack four things; but only two of these belong strictly to the economic sphere. Their economic lacks are capital for development and knowledge of advanced industrial and agricultural processes and techniques. Their other lacks are good government and hope.

Of their economic lacks, knowledge of advanced processes and techniques is well within the power of the more developed countries to supply. It has been supplied in the past, on a certain scale, when it has suited the book of some group of foreign capitalists to supply it for the purpose of extracting a profit. But where it has been supplied on these terms the aim of the suppliers has not been to diffuse the knowledge as widely as possible in the recipient country, but rather to limit its spread to what has been requisite in their own interests. They have usually preferred to supply the higher personnel of industries set up in backward countries from outside to training native personnel for the higher tasks; and they have made no attempt to raise the general standards of skill or craftsmanship in the countries in which they have established their profit-seeking enterprises. Even less has the foreign capitalist made any attempt to improve the standards of agricultural production in the more backward countries, except where he has set out to develop some sort of plantation economy, as in Malaya or the Sudan; and where he has set up such an economy, it has remained as a rule totally alien from the native systems of cultivation, and has exercised an adverse rather than a favourable effect upon them.

If the world is to prosper, and Great Britain to prosper in it, this approach must be totally changed. The economically advanced countries must set out deliberately to teach the peoples of the backward countries the most up-to-date and productive techniques in both industry and agriculture. This will involve sending out great numbers of experts to the backward countries, not as a privileged corps of exploiters of native labour, but as teachers and advisers, with a mission to spread their higher technical knowledge among the largest possible number of those to whom they go as the missionaries of a new gospel of world plenty and co-operative advance.

But these teachers will achieve little, unless they bring with them capital as well as brains. For even in agriculture the backward countries can make but small advance until they are equipped with modern instruments of production. At present, the cultivators of the soil over a large part of the world have to make shift with implements as primitive as those which were in use by the

patriarchs. All the advances of hundreds of years of agricultural development have passed them by ; and even if they know of more modern instruments they cannot afford to buy them. Moreover, success in modern agriculture depends not only on modern farm implements and the knowledge of modern farming methods, but also on irrigation, the supply of cheap power, modern fertilisers, credit to tide over difficult periods and seasons, and, last but not least, easy access to markets.

Therefore, the knowledge and the capital must go together ; and this provision of the capital requisite for productive agriculture as well as for industrial development is the crux of the problem. Hitherto, capital has flowed into the less-developed countries only to the extent to which foreign capitalists have seen the prospect of higher profits from such investment than from investing elsewhere ; and, even so, the investments have been those which have offered the most attractive prospects to the investor, and not the best help towards increasing the prosperity of the backward country. Their indirect effects, in spreading economic development over a wider area within the country, have not affected the issue—save exceptionally when the Government of such a country has taken a hand in directing the process in the national interest. Turkey of recent years and Japan somewhat earlier are outstanding examples of the economically beneficial effects of such directed development ; but they are the exceptions. In the great majority of cases, the sole factor influencing the investment of capital in backward areas has been the prospect of direct profit to the foreign investors.

Here again there must be a complete change if the world—or Great Britain—is to prosper. The process of investment in the undeveloped areas of the world should be directed with the object of adding as much as possible to the native productive capacity of these areas, in such a way as to yield a reasonable return upon the investment, but not an unlimited right to profit by it. The foreign investor has no right to extract an unlimited profit out of the development of the resources of the more backward areas ; he, or rather the people who produce the real goods which are invested—for I altogether deny the capitalist investor's right—has no claim to more than a reasonable rate of interest, *plus* the return of his capital in due course, when the country to which it has been lent is in a position to stand on its own feet. Indeed, this is too much to claim in the early stages of the process, before the harvest of higher productivity has begun to be reaped. In the initial stages, in order to set the process of wealth-creation successfully on foot, it may be necessary to take what interest the borrower can afford to pay, even if it is not at a 'commercial' rate.

Now, the export of capital means the export of goods and services for which no immediate equivalent is received in imports. A country which is importing as much as it exports cannot export capital, and can export capital goods only to the extent to which it can either get paid for them on the nail in imports or borrow the means of exporting them and therewith the right to receive from some other country imports for which, immediately, no equivalent payment need be made. During the first few years after the war Great Britain is most unlikely to be in a position to achieve a net export of capital. We shall have, as has been shown, all our work cut out to pay for current imports. Great Britain will therefore be in a position to aid the development of the poorer countries with supplies of capital goods only to the extent to which current imports can be received in return—unless the British people lowers its own standard of life in order to achieve an export surplus, or unless the means of making capital exports can be borrowed from 'elsewhere'.

'Elsewhere', in this connection, means the United States, and can mean nowhere else. For the United States alone will be in a position after the war either to send Great Britain exports without receiving an equivalent return, or to lend Great Britain a part of its export surplus derived from sending goods to other countries, and thus enable Great Britain to buy their exports out of American loans. But will the Americans be prepared to do this? Will they not prefer to invest directly in the supply of needed capital goods to the less developed countries, sending them their own manufactures rather than enabling us to send ours?

This raises an exceedingly difficult question—the whole question of the post-war relations between the economies of Great Britain and the United States. Let us begin by accepting the fact that the Americans will not lend us out of pure philanthropy capital which we can then invest in the less developed countries—even if an element of philanthropy does enter into the post-war settlement of the world's affairs, as we may hope it will. But the matter is not one of pure philanthropy. The choice for the Americans after the war will not be between lending direct to the more backward countries, *and getting paid*, and lending to us, *and not getting paid*. It is of the nature of all foreign investment—and indeed of all investment—that the investor does not get repaid immediately the amount of his loan. He leaves his money out at interest, in the expectation of receiving a much smaller annual sum in return. Or, to put the case in real terms, he lends a large value in goods in order to receive a much smaller annual value in other goods. In choosing between lending directly to the backward countries and lending to Great Britain, the Americans

will be choosing between having these countries or Great Britain as their debtors. They will be under a sheer necessity of lending to somebody, in order to keep their resources employed; but they will be in a position to choose their debtors.

There will be a good deal to be said, from the American point of view, for choosing Great Britain, not exclusively, but as one substantial recipient of American loans—provided that Great Britain equips itself to make effective use of its opportunities. For the Americans will need to sell not only manufactures or capital goods, but also the products of their own primary industries. Moreover, world prosperity will be very much in their interest, as well as in ours; and the eclipse of Great Britain as a market would seriously upset the balance of the world's, and of the American, economy. If the Americans can do as well with their money by lending it to Great Britain as by lending it elsewhere, there will be strong inducements, economic as well as philanthropic, for lending a fair amount of it here. British industries are geared to a high level of capital exports, and British engineers and prospectors have a wide experience in the exploitation of undeveloped resources. If they can set themselves free from the shackles of restrictive capitalism, the British people have it in them to play a great part in the work of lifting the world out of poverty. But they will need the help of American capital; and this help is not likely to be forthcoming save on terms which will benefit the Americans as well as us.

For some time I have been conscious of some of my Socialist friends objecting that the whole of this argument has much too 'capitalistic' a tone. Here am I, talking about the new world of to-morrow in terms of foreign loans, capital investment, interest rates, and all the familiar paraphernalia of capitalist exploitation. Ought I not rather to have been speaking in terms of a world beautifully set free from such commercial considerations—a world in which one country gives rather than lends capital to another, and trade becomes sublimated into a process of mutual giving without any fuss about equivalence between what is given and received? The answer is, No, I ought not; for I am writing, not about Utopia, but about the world as it is really likely to be when the war is over. Does anyone suppose that, in this real world, the people of one area are going consciously to make presents to the people of another area, not merely for the relief of temporary famine or the immediate repair of war damage—which I fully agree they will probably do—but over a long period for the fuller development of the resources of every backward country? It is difficult enough to provide for gifts of this sort, on a large scale, between areas which form part of a single political unit; or the

Highlands of Scotland would not have been left so long to decay, or South Wales have been allowed to suffer as it did suffer between the wars. It would be an infinitely harder matter to persuade nation to give to nation on a world-wide scale; even if the nations of the world were bound together in some wide political confederation.

Let us keep in mind that one people can lend capital to another only by foregoing some part of what it might itself consume, or by slowing down its own potentiality of economic development. This fact is often concealed under the existing economic order, because a fall in exports of capital or capital goods has been allowed to lead, not to a use of the released resources for home consumption or investment, but to unemployment: so that the export of capital has appeared paradoxically as a beneficent means of providing employment rather than as an alienation for the time being of the product of a part of the people's labour. This paradox, however, will no longer exist if countries are so organised as to make full use of their resources, and to employ their people fully in one way or another. For it will then be apparent that the use of resources for making exports which are not to be paid for at once decreases the immediate supply of goods available for the people's own service.

Lending capital without interest therefore means foregoing a potential supply of goods and services until the capital is repaid; and giving capital away means foregoing this supply for good and all. Countries are not in the least likely to behave in this way after the war, even if their national economies are fully socialised. The very richest countries—and this, in effect, again means the United States—may be willing to make limited capital gifts to the rest of the world in order to get the wheels of production and exchange successfully restarted. Further than that no country is likely to go; and most—including Great Britain—will not be in a position to go so far.

Let anyone who disputes this ask himself this question: 'Will the British people, hard pressed during the period after the war to maintain its pre-war standard of living, be prepared deliberately to lower its standards in order to undertake the promotion of higher productive efficiency in India, or China, or anywhere else in the world?' I am not denying that for a period after the war the British people may be prepared to keep its belt tight, and to endure continued rationing, in order to combat sheer starvation in the areas which have been devastated by war. I hope and believe that the British people will be ready to do this. But what I was speaking of just now was something essentially different—not a short-term sacrifice for the prevention of destitution due to

the war, but a long-term effort to raise the backward peoples to standards of living very much nearer its own.

That this will not be done under capitalism hardly needs arguing. For many capitalist interests will be keenly opposed to the economic development of the backward countries, on the ground that the effect will be to raise up fresh competitors against themselves; and these interests will seek to persuade the British workers to obstruct, instead of aiding, the process, by telling them that they will lose their employment if it is allowed to happen. That this plausible argument is fallacious has been explained already. The future prosperity of Great Britain depends on a massive enlargement of the world market for high-quality goods and services, and not on scrambling for a share of a narrowly restricted total market. But it will not be easy to persuade most people of the truth of this, as long as powerful vested interests are there to put the opposite case. Under capitalism, then, there will clearly be no free gifts of capital for the development of the world's resources. But, I hear it urged, surely there will be, if Socialism has by then replaced capitalism as the basis of British economic institutions. Really? It should, I agree, be possible for a Socialist community to take longer views; but I shall take a lot of convincing that even a Socialist community, with its own pressing problems of poverty still unsolved, will deliberately lower its own immediate standard of living over a considerable number of years for the purpose of making outright gifts of capital for the development of the backward countries. At the very least, I am sure a Socialist country would not be prepared to do this on anything like the scale needed to meet the capital requirements of the vast and populous undeveloped but developable areas of the world.

I come back, therefore, to my conclusion that this capital will have to be provided on a basis which allows for reasonable interest. It may be possible to keep the interest charge at a very low level in comparison with the high rates which have been paid in the past on much of the capital invested in the less-developed parts of the world. I hope and believe that post-war interest rates will be kept low—for home and foreign loans alike. That is mainly a matter of monetary policy; and now that even capitalist Governments have learnt how to control interest rates in time of war it should not be difficult to apply the known technique in time of peace. But low interest is still interest; and again I can hear some of my Socialist friends protesting that it is most 'un-socialist' to go talking as if the payment of interest would continue under Socialism.

But, so it will, at any rate when loans are made from one

economic unit to another. And, even when interest is not paid, it will, I hope and believe, continue as an element in the accounting of a Socialist community. Capital resources are scarce; and interest is a means of paying for the use of a scarce thing. It is the hire-payment for the use over a period of time of the capital goods into which the borrowed money has been converted. If the instruments of production are publicly owned, this interest payment will accrue to the State, and not, as hitherto, to the private owners of capital. But it will remain a necessary element in calculating the real costs of production of different goods. If, of two goods of the same utility and requiring equal quantities of labour, one uses up in the making the services of twice as much machinery as the other, the other is the cheaper to make, and should be preferred. But unless a charge is made for the use of the machinery, the production costs of the two will misleadingly appear to be the same. The Soviet Union has not abolished interest: it has only regulated it, and ensured that most of it accrues to the public itself—and, even in the Soviet Union, a private citizen can still lend money to the State at interest. So will it be if Great Britain—or the world—turns Socialist after the war. Interest will go on; and where one economic unit or country lends capital goods to another, it will expect to receive a regulated interest on the loan.

This means that, in the earlier stages of development towards advanced productive technique, the backward countries will be incurring capital debts to the more developed. It will be of the greatest importance to prevent these debts from hanging like millstones round the necks of the borrowers. This can be prevented only if, as fast as the borrowers, with the aid of the loaned resources, are able to produce increased supplies of goods, the lenders are ready to receive these goods in payment practically without limit, at any rate up to the point at which the loans will have been fully repaid. Debts become an intolerable burden, and lead to default, when the borrowers find obstacles put in the way of their making payment in their own goods, or the market for their goods so inelastic that the prices they can get for them have to fall very sharply in order to induce increased sales, so that, after selling more, they are left as far off as ever from ability to square the account. It is an indispensable condition of large-scale foreign lending that the lenders keep their markets wide open to the receipt of increased amounts of the borrowers' goods.

From the standpoint of Great Britain, the greatest difficulties are likely to arise during the period immediately after the war. British export markets will have been thoroughly dislocated; and Great Britain will have become used to subsisting to a considerable extent on American credits. If these disappear before there

has been time to rebuild export markets, there will be an exceedingly awkward period, during which it will be impossible to balance the international accounts. No great disaster would be involved in this, if the difficulty were likely to be brief. But, as we have seen, the recovery of British exports depends on a general expansion of purchasing power in world markets; and this in turn depends on large capital loans which can only be expected to produce their effects gradually. It is, of course, fully possible that this difficult period will be preceded by a short-term boom, while devastated countries are replenishing their stocks; and such a boom may for a time conceal the realities of the situation. What seems out of the question is a quick and lasting recovery of British export trade unless the United States is prepared to help by placing the capital loans which it will need to make in such a way as to stimulate a British recovery. This, we have seen, the United States may be ready to do, not out of sheer benevolence, but in its own interests as well as in those of the whole world.

On the other hand, if the Americans—greatly to their own economic detriment—were to elect to stand aside from the processes of economic reorganisation in Europe, and to refrain from any extensive investment outside the American continent, the entire European outlook would be different. The European nations would then have to rely for their post-war economic recovery on their own combined resources, including those of the Soviet Union. There would be no country which would be able to afford any substantial amount of foreign investment; for each would be under an urgent necessity of getting paid promptly for whatever it was able to export. It would be impracticable under these circumstances to make any rapid advance towards the modernisation of the productive structure in the less-developed parts of Europe, because they would not be able to export enough to pay for any large quantity of capital imports. The entire process of economic recovery would be slowed down; and the more advanced industrial countries would suffer with the others for lack of remunerative outlets for their products. On no country would this situation react more disastrously than on Great Britain.

Some people may believe that continental Europe could be rescued from this impasse by an extension of the power and influence of the Soviet Union. So it might be, in the long run. But for a good time after the war, the Soviet Union seems likely to have all its work cut out in restoring the ravages of war upon its own territory. Already there has been both a terrible devastation of the industrial areas of European Russia and a terrible loss of livestock and of farm equipment. The United Nations ought even now to be preparing to repair this destruction as quickly as

possible after the war. But we are now supposing that America, which alone is in a position to undertake this task, stands aside. On that assumption, however widespread the *political* influence of the Soviet Union may become in post-war Europe, the amount of economic help which it will be able to give will be necessarily very limited for a long time to come. Soviet influence, if it spreads over Europe, will have to take the form much less of material economic help from Russia than of inspiring the European peoples to tackle their problems, not as separate nations each contending separately for its own interest, but by means of a common economic plan. But even such a plan, bereft of American material assistance, will be bound to involve growing-pains not unlike those which the Soviet Union has itself experienced, and will be seriously limited in its short-run effects by the fact that every unit of capital provided for development will have to be abstracted from the resources available for immediate consumption. It was difficult enough for the Russians, who had been used to living hard, to afford the high rate of capital investment required by their successive Five Year Plans. For countries more densely populated or used to softer ways of living, no such feats of rapid economic development as the Russians managed to achieve are even possible, however completely the barriers of national isolationism may have been thrown down.

It may be that Europe after the war will have to go through this slow and highly painful process of developing its economic resources without external help. If this has to happen, I do not see why Europe should not succeed in the long run in achieving plenty—though the run is bound to be very long and the political dangers of the transition are certain to be very great. What I do feel sure of is that, long before continental Europe emerges from the difficulties of this process, Great Britain will have been ruined. By Great Britain's ruin I do not mean merely that we shall have ceased to count as a 'world-power', or anything of that sort: I mean that the British standards of living will have fallen with a thump, and that there will have been a flight from Great Britain—if there is anywhere to flee to—as considerable as the flight out of Ireland in the course of the nineteenth century. For in the post-war world Great Britain, least of all countries, will be able to afford to wait.

This may sound a melancholy conclusion to the prolonged argument of this chapter. But please remember that it is only a conditional conclusion. It describes what is likely to happen to Great Britain's economic affairs if the Americans stand out of the process of European reconstruction. The purpose of putting this

conditional conclusion thus bluntly is to emphasise the paramount importance to Great Britain of doing all that can be done to ensure that the United States does not stand aside, and to achieve a harmony between British and American notions of post-war economic policy.

CHAPTER IV INSTEAD OF EXPLOITATION

AGAIN I have reached a provocative conclusion—provocative at all events to many of my fellow-Socialists. For in urging them at almost any cost to achieve unity of economic policy with the Americans, am I not, in effect, urging them to give up working for Socialism, and to work for capitalist reconstruction instead? I am doing nothing of the sort. The condition of close economic collaboration with the United States is not that Great Britain shall maintain the capitalist system, but that we shall pursue what the Americans will regard as policies of economic expansion and extended opportunity for trade with the minimum of discriminative devices designed to force exchanges into particular channels. These requirements, so far from pointing to the need for maintaining capitalism, are entirely inconsistent with its maintenance. We cannot any longer, in Great Britain, have an expanding capitalism; for all the most powerful forces in British capitalism are bent on restriction, which has become British capitalism's second nature. Moreover, many of these forces are bent on discrimination too. They favour empire preference, and they wish to see trade agreements made on a basis which will compel particular countries to buy our goods if we buy theirs. It is impossible for Great Britain to collaborate effectively with America in the work of world development until these restrictive and discriminative tendencies have been removed. But they will not be removed as long as British monopoly capitalism is left in the saddle.

This is not to suggest that the United States is likely to emerge from the war a Socialist country. Such an outcome is, I think, unlikely in the extreme. It is much more probable that there will have been by the end of the war a great extension of public control over industry, but that industry will continue to rest mainly on a basis of syndicated ownership and private profit-making. Socialism, as we understand it in Europe, can hardly arise where there is no Socialist movement; and in the United States there is still almost none. The vital difference between American capitalism and our own is that, despite the prevalence of trusts and combines in the United States, the American system is still, on the whole,

expansive in its attitude to the rest of the world. Though, during the 'thirties, it passed through a phase of defeatism which had much in common with the restrictionism of European capitalism outside the totalitarian States, it never really accepted the restrictionist philosophy, or gave up its hopes of resuming its expansive behaviour when the crisis was over. The world depression gave the American economic optimists a rude shock; but it did not finally quench their optimism, as that of European capitalism was quenched between the wars.

Now, expanding economies can work together, whereas expanding and restrictive economies cannot. There are no *economic* obstacles to close collaboration between the United States and the Soviet Union, because they both believe in seizing every opportunity for technical advance. But there are insuperable obstacles to effective collaboration between the United States and any country which is economically on the defensive, and much more concerned to save what it can from the past than to pursue fresh conquests. No doubt there are within the American economy plenty of restrictive forces which could collaborate quite readily with their opposite numbers in Great Britain; but these restrictive forces are in the United States the enemies of the Government and of the preponderant popular opinion, whereas in Great Britain they dominate the Government and succeed in imposing their restrictive outlook upon British national policy. If these forces were to win back in the United States the political power which they lost during the depression, then indeed Anglo-American co-operation on a basis of monopoly capitalism would become practicable—and would spell disaster. This would be a disaster for all Europe, and above all for Great Britain, because it would mean that the united force of the two capitalisms would be directed, not to the pursuit of world plenty, but to preventing it. But it is to be expected that, as long as Mr. Roosevelt and Mr. Cordell Hull retain power, or are able to hand on their policy to their successors, the weight of the United States in world affairs will be thrown on the side, not of European monopoly capitalism, but of expansionist tendencies, in whatever political forms they may manifest themselves.

Given the predominance of expansionist policies in Great Britain and the United States, the way will be clear for close common action not only between these two countries but also between them and the Soviet Union, which is by the very nature of its economic institutions firmly committed to a policy of expansion. Given the collaboration of these three countries, the pursuit of a policy of plenty throughout the world will be well assured. The economic development of Eastern Europe, of

China and India, and of Africa will then become a common care of these three; and the other countries which are in possession of an advanced industrial equipment—notably Germany and Japan—will readily be brought into line. On no other basis can a new economic order of plenty be built; for if the advanced countries do not work together as collaborators in an agreed plan of world-wide development, they will inevitably fall foul of one another as competitors within a narrowly limited world market. British and American industries, instead of joining hands in a common plan which will keep them all employed, will be cutting each other's throats in a scramble to sell, or alternatively will be driven together, as the sequel to such a scramble, in anti-social cartels for the maintenance of prices and the limitation of output to the detriment of their own peoples. Furthermore, if this is allowed to happen, the problem of Germany in the West—and probably the parallel problem of Japan in the East—will become utterly insoluble in any way consistent with a lasting settlement of world affairs. It is often asked now with real anxiety what is to be done with German industry after the war. Are the victors, when the Nazi might has been broken, to set to work deliberately to destroy Germany's industrial capacity for fear that it may be used again as a basis for rearmament? The threat of such destruction, which would be for the Germans a threat of mass-unemployment and destitution, would be a poor inducement to them to rise in revolution against their Nazi masters; but as long as those who control economic policy in this country continue to be dominated by fears of redundant productive capacity in a narrowly limited world market, there will be vested interests which will veil behind threats of vengeance against the German people their desire to have a powerful industrial competitor put, lastingly if possible, out of action. Economic restrictionism will masquerade as Vansittartism; and the enemies of plenty will join hands with the apostles of vengeance.

The way out of this danger is to set such tasks before the world—tasks demanding the full use of all its productive powers—as will make it plainly necessary to mobilise the industries of Germany for repairing the damage which the present rulers of Germany have done. It should be, above all else, the task of the Germans after the war to apply their industrial resources to rebuilding the destroyed productive capacity of the western regions of the Soviet Union, of Poland, and of the other countries which they have overrun. It was said to have been demonstrated after the last war that it was impossible in fact to exact reparations from the vanquished. This view rested on the plain fact that transfers of large sums of money can be made only by transfers

of real goods, and that the countries to which the reparations were due were unwilling to receive the goods because of the threatened disturbance to their own industries. This objection, however, has no application at all to the Soviet Union, which can readily receive in kind whatever is needed to repair the devastation that has been wrought in its most productive areas. Nor need it have any application to Poland, or to other war-devastated countries, if they have the sense to arrange their economic affairs in a way that will not leave it open to vested interests to obstruct what is requisite in the interests of the whole people.

The German economy should be kept busy for a long time after the war undoing the mischief which the Nazis have done, and helping the productive development of the countries they have sought to reduce to a servile status. This will leave plenty of room for the industries of the devastated countries, such as France and Czechoslovakia, whose productive power the Nazis have kept largely intact for their own purposes; and it will also leave plenty of room for the industries of the United States and Great Britain to play their part in the furtherance of economic development both in Europe and in the rest of the world—in India and Africa, for example, and in Latin America; and also in China, where the industries of Japan will be filling a role similar to that of German industries in devastated Europe. If once the world sets its course for a policy of world plenty, the problem of international competition for shares in a limited market will simply disappear. There will be room, and more than room, for all the industrial capacity that exists in any country.

What does all this involve, in terms of British post-war commercial policy? Many industrialists in Great Britain are afraid of the terms of the Atlantic Charter and of the policy of 'no discrimination' so forcibly proclaimed by Mr. Cordell Hull on behalf of the United States. These fears are entirely justified, from the standpoint of those who expect to go back after the war to the familiar policies of economic restriction; for if there is to be a scramble between the industries of the developed countries for shares in a narrowly limited market, Great Britain's sole chance of holding its own in such a scramble will be to adopt a policy of commercial discrimination not only in dealing with its own colonies (if it still has any) and its own Dominions, but also in striking bi-lateral bargains with other countries from which it takes a substantial quantity of necessary imports. There will have to be more trade agreements like those which were concluded with the Scandinavian countries before the war, in order to make it feasible to reduce as much as possible of British import trade to the form of barter with particular countries.

I hope there is no need to demonstrate any further that the utmost success that could be achieved by this method would, from the standpoint of the British people, be lamentable failure. It would involve drastic restrictions on total imports, and a severe fall in British standards of life. For it would be utterly out of the question to cover by barter bargains more than a small proportion of the imports the British people needs; and the effect of such bilateralism on our part would be to stimulate bilateralism elsewhere, and to shut out British exports from the remaining markets. It is therefore imperative, in the interest of the British people, to accept the American policy of 'no discrimination', and to proceed to build upon it a policy of general economic expansion throughout the world. It will be fully legitimate to urge upon the Americans that bilateralism is not the only obstacle to the unrestricted growth of world commerce, and that their own tariff constitutes an equally powerful obstacle, which ought to be swept away. Nor will it be less legitimate to insist that the banning of bilateralism must not extend to the banning of organised arrangements between States for mutual exchange of goods and services. Indeed, the Americans cannot possibly contend for the exclusion of such arrangements, which have figured in recent years in their own commercial policy, and are practically certain to play an important part in its development after the war.

Mutual 'swopping' of goods and services does not involve discrimination, unless it is practised in a discriminative way. If it suits two countries, for reasons of mutual economy and convenience, to arrange for bulk exchanges of goods, no objection can arise, provided that they are equally willing to make similar arrangements with other countries where considerations of economic advantage equally arise. The organised planning of world production will be greatly facilitated by such arrangements, and is indeed difficult to imagine without them. There was nothing wrong in the Nazis arranging with the Roumanians for the cultivation of the soya bean, and promising to purchase the crop in exchange for German industrial products. Such a transaction became illegitimate only when the Nazis used their economic power to enforce unfair terms of exchange.

Organised planning of world production involves pre-arrangement—advance decisions about what is to be produced for international exchange. It substitutes for blind production for an unknown and wildly fluctuating market organised preparation for meeting foreseeable needs. The creation of instruments for this type of international planning is a prerequisite of world economic stability and orderly advance.

Great Britain must accordingly be ready to do without the

limited and restrictive gains which certain vested interests could hope to make by means of discriminative bargaining, in favour of the much greater and liberating gains which will accrue to the British people, in common with other peoples, as the outcome of expanding world trade on a basis of organised planning. This is the spirit in which British opinion should receive the Atlantic Charter and the commercial proposals of the American Government—a spirit utterly different from that of the recent manifestos of the Federation of British Industries and other leading commercial organs of British monopoly capitalism. These manifestos were permeated in every line by the hopeless spirit of restrictionism. Their authors set out from the assumption of a narrowly limited world market, in which British industries would have to struggle under very great handicaps for a necessarily inadequate share. The consequences of such a struggle could not be dressed up so as not to appear infinitely depressing. It appeared in every sentence that the leading representatives of British industry and commerce were preparing to face the post-war situation in an entirely defeatist attitude of mind.

The Socialist approach is—or should be—radically different. Indeed, the Socialist approach is radically different, whereas the Trade Unionist approach, which is often confused with it, may not be. The Trade Unions of Great Britain, by winning, in the industries in which they are strong, certain limited rights of collective bargaining about wages and labour conditions and a certain power to restrict entry into the several trades, have become to a limited extent junior partners in capitalist industry. They find it, on the whole, easier to strike bargains with large than with small employers; and the successful exponents of monopoly capitalism are prepared to bribe them, as long as they remain peaceable and innocuous, with a limited share of their monopoly gains. The Trade Unions, in general, care but little for the large body of unorganised workers who are outside their ranks, and make but little effort to organise these workers except in the trades and industries in which Unionism is already well entrenched. They are disposed to welcome the creation of strong employers' associations with which they can strike inclusive bargains, and even to support proposals which will restrict the entry of new competitors, or freeze out of a trade small employers who cannot easily be coerced into the observance of standard wages and conditions. This attitude readily passes over into a reluctance, which may be half-unconscious, to take any action which threatens the privileged position of an industry in possession of monopoly gains—gains in which limited groups of wage-earners get a share. Trade Unionism, even while most of its leaders con-

tinue to profess lip-service to Socialism, becomes insensibly an ally of the restrictive policies of monopoly capitalism. It is, indeed, difficult to avoid this; for it is of the essence of a bargaining Trade Unionism to take short views and to make the best immediate bargains that it can; and clearly the best short-run bargains are to be struck by doing what the capitalists want and not by threatening them with supersession.

Socialism and orthodox Trade Unionism, in matters of economic policy, are essentially different things. Socialism is the ally of Trade Unionism in many matters, and both movements are founded mainly upon the same economic class. Socialism stands with Trade Unionism for better wages, improved conditions of labour, and the recognition of the social rights of the working class. But Socialism stands for these things on behalf of the whole people, and not of an organised minority alone. It is, however, plain that the whole people cannot have high wages and good conditions except on a basis of high and unrestricted output; and accordingly, whenever Trade Unions turn to the abetting of any form of restrictionism inconsistent with the general interest, Socialism parts company with them, and has to stand, not against Trade Unionism itself, but against the perversion of which, in the policy of this or that particular Union, it has become guilty. Socialism then stands for a reorganisation of Trade Union methods and policies designed to bring them fully into consistency with the interests of the entire community.

We come back, then, to the point that the Socialist approach to the problem of British commercial policy is radically different from that of the Federation of British Industries, or other capitalist organisations which stand predominantly for the great monopolist groups. But, whereas some Trade Unions, to an increasing extent, tend to side with the great monopoly capitalists against the smaller employers, the attitude of the smaller employers is, *at this particular point*, much more akin to the attitude of Socialism. The employer who is not a monopolist, or a member of a monopolist ring, must sell his wares in a highly competitive market and is not in a position, by restricting his output, to increase the price of what he sells. He therefore wants the market to be as large as possible, and takes instinctively an expansionist attitude to economic affairs. He is the ally of the Socialist in fighting for an enlargement of the total market, and can see nothing but a threat to his own survival in the success of the restrictive policies favoured by his larger rivals—policies which, incidentally, often raise the prices of the materials he uses and narrow the margin out of which his profit must be derived.

Despite this fact, the small employer is usually a bitter opponent

of Socialism. He may hate the monopolists, because they narrow his profit margin and threaten to squeeze him out by their pressure. But he usually hates Socialism more, because he sees in it an absolute prospect of extinction and also because he usually dislikes Trade Unionism, which he regards as Socialism's ally. If he is mistaken in this, it will surely be well for Socialists to disarm his opposition by telling him so with the utmost frankness. But is he mistaken? Let us devote the next chapter to an attempt at finding this out.

CHAPTER V

SOCIALISATION AND PRIVATE ENTERPRISE

How much 'socialisation' need there be in order to ensure that Great Britain after the war becomes essentially a Socialist country? Before I attempt to answer that question, I hope we can agree, for a beginning, that socialisation is a means, and not an end. Socialists want to 'socialise' certain things, not for the sake of socialising them, but because they believe that they can be made of most use, and of least disuse, to the community under social ownership. Socialisation is not a thing good in itself, apart from considerations of space and time: it is a policy which is expedient at certain times, in certain places, and to a certain extent.

There are two main reasons why Socialists to-day, in Great Britain and in the other advanced industrial countries of Europe, want to socialise certain kinds of production. Historically, the first of these reasons is that exploitation of the resources of production for private profit involves the exploitation of human beings—the piling up of huge fortunes by the rich out of the sweated labour of the poor. This form of exploitation has by no means ceased to exist in Great Britain to-day; but in its grossest form it has been largely transferred by the advanced capitalism of this country to colonial territories, which have become the readiest repositories of really cheap labour. Trade Unionism and social legislation have between them narrowed considerably the opportunities for the grosser forms of economic exploitation in Great Britain itself; and it existed, in these forms, on the eve of the war only in the numerous nooks and crannies of the capitalist system—or, in a transmogrified fashion, in the depressed areas. Exploitation has not ceased; but it has for the most part assumed less extreme shapes—in Great Britain—and has therewith lost some of its former power to arouse the crusading zeal of warm-hearted men and women.

But, as the first reason for socialisation has lost some of its appeal—though not of its rational force—a second reason has been becoming increasingly cogent. This is that capitalism has been showing itself falsier and falsier to its historic role of liberating the forces of production, and has been devoting its energies less and less to increasing the output of goods and services, and more and more to regulating this output, for fear of glutting the market. Ever since the last war, as we have seen, industry has been in the grip of groups of pessimistic monopolists who have seen salvation for themselves only in restricting production, sharing out the market, and wherever possible razing ‘redundant’ factories, mills and shipyards to the ground in order to make their monopolies more effective.

It has, however, to be observed that this restrictive and monopolistic character does not attach to all branches of profit-making enterprise. The monopolists do not control directly all branches of industry: they fasten, in general, upon certain key materials and processes, and by controlling these are able to influence the working of the entire economic system. Sometimes the key point of control is at the stage of extraction or refining of some essential raw material, or at the stage of making up the raw material into an intermediate, semi-manufactured product. Sometimes it is at the stage of final manufacture, where the implements of industry are so costly and the minimum scale of economical production so large that the number of firms is bound to be small, and combination among them therefore relatively easy to bring about. Sometimes the monopolistic control is secured by action apart from the law—which merely refrains from interfering with it: sometimes the monopolists actually invoke the aid of the law, and persuade the Government to legislate in their favour, or to take their part in international bargaining or aid them with quota regulations and tariff manipulation.

In one way or another, monopoly capitalism has achieved a large measure of control over the essential industries of Great Britain and of other Western countries, and has succeeded in impressing its essentially restrictive character on the entire economic system. But this control has been achieved, not by generalising monopoly over all industries and processes—for it would lose most of its advantages to those who profit by it if it were thus generalised—but by the occupation of a limited number of key positions.

It is therefore at any rate plausible to suggest that, in order to do away with the restrictive influences of monopoly capitalism, it is necessary to socialise, not all industries, but only those parts

of industry in which monopoly is already entrenched, or could throw up fresh entrenchments if it were driven from its present points of vantage. There may be *other* good reasons for socialising certain industries or processes to which this particular condition does not apply; but, if we are to proceed rationally, they will all be reasons for socialising a particular industry or process, and none of them reasons for setting out to socialise all industries and services indiscriminately.

Some Socialists, I am well aware, will reject this view of the matter, and will hold fast to the opinion that all shapes and forms of capitalism must sink or swim together. Nor do I dispute this view, under certain circumstances, which may quite possibly arise. It is quite on the cards that before the present turmoils are over the capitalist system in Great Britain—and in other countries—will simply collapse, and will cease to deliver that minimum of supplies which must be ensured for the bare subsistence of the people. If that happens, there will be nothing for it but for the State—any sort of State or Government—to take hold of the situation as best it can, and get industries working again by hook or by crook. Under such circumstances no limit can be set to the extent of socialisation that may be imperatively needed. This was, in all essentials, the situation which confronted the Russians on the morrow of the Soviet Revolution, and led up to the 'War Communism' of the early years of the new regime. If we in Great Britain were to find ourselves faced with a similar problem, we should have to solve it temporarily in much the same way, whether we wanted to or not. There would be no alternative—except to let the people starve.

But I am not for the present discussing any such state of affairs. In Great Britain, after three years of war, capitalism is still very much a going concern, greatly as its working has been modified by the operation of the vast array of 'controls' which now extend to every branch of production. If the war were to end in our defeat, British capitalism might very likely dissolve in the process—unless the Nazis chose to reinstate and reorganise it on a new basis in their own interests. But I am not discussing the future on the assumption of a Nazi victory. I am assuming that the war will end in the victory of the United Nations. Even so, it is on the cards that the United Nations may win but the British economy be so torn to pieces in the course of the struggle as to leave no expedient open other than a rebuilding of the wreckage under the direct authority of the State. But I am not for the present discussing that possibility either: I am considering what policy British Socialists ought to adopt in face of a capitalism which is still functioning and still, though not in sufficient

abundance, delivering the goods. I am, moreover, addressing myself, not to persons who are in love with violent revolution for its own sake (there are fortunately few of them, and most of them care very little what sort of revolution it is), but to those who, realising the necessity of very great changes in the British economic system, wish to accomplish these changes with as little violence as possible, and with the minimum of suffering during the transitional period.

I say to these people, first of all, that there is no need to be in a hurry to take all industries into the hands of the State. Organising an industry as a unified whole to serve the public interest is not an easy job. It calls for high abilities in those who are put in charge of the process; and the requisite quality of high organising ability is exceedingly scarce. The sensible Socialist, conscious of the magnitude of the tasks which must confront him in any event, will be anxious to avoid widening unnecessarily the range of his responsibilities, and to make use of any existing institutions which can be adapted to serve his ends. He will not want to knock anything over merely to give himself the pleasure of building it up afresh. He will have quite enough on his hands with necessary work of creation to have no time left for supererogatory works of destruction.

Now, the enterprises which it will be least easy to build into a socialised system will be the small enterprises; and the industries it will be hardest to socialise will be those which are made up of a very large number of independent firms. A great, trustified industry consisting of a few huge establishments already under unified financial control can be socialised by a simple change in its central direction, leading to secondary changes which can be carried through as occasion allows. In this sense, the great trustified industries are already 'ripe' for socialisation; and the only difficulty about the process lies in finding the right men to take charge of them and manage their affairs in a Socialist spirit. The more competitive industries, on the other hand, are made up of a host of separate businesses of all forms and sizes and degrees of specialisation peculiar to themselves. These businesses are of all degrees of efficiency, from the best to the worst; and the best of them usually owe their success to the peculiar methods and contacts which they have built up in supplying a particular market or a highly special need. To socialise such businesses *en masse*, without regard to the peculiar qualities and circumstances of each individual establishment, would be to destroy them, not merely as profit-making agencies, but as contributors of a specialised service which is needed by the community, and cannot be dispensed with except at a sacrifice of welfare.

To the controlling directors of such businesses a wise Socialist administration, in the hour of victory, will utter, not threats, but an injunction to carry on undisturbed, and an assurance that they will receive every consideration. A Socialist Government will be able to promise them that the supplies they need, of raw materials, fuel, and other requisites of production, will reach them free of toll levied by the monopolists who have hitherto batted on these supplies, and over and above this that there will be a ready market for everything they are able to produce at a reasonable cost. There will be, of course, conditions attached to these promises. The firms in question will have to observe such standards of fair wages and conditions as the State may lay down, to recognise the rights of their employees not merely to bargain collectively but to such status in the factories as the State may confer upon them in the name of industrial democracy, and, last but not least, to accept such directions as the State, through its organs of economic planning, may issue to them about the nature of what they are to produce.

Doubtless, at one time, these stipulations would have seemed to the employer intolerable invasions of the 'freedom of private enterprise'. But not one of them goes beyond what practically every small employer is subject to already, under the conditions of war. Nor do they go beyond what any sensible small employer would, on reflection, readily accept, if he were convinced that there went with them an assurance of being able to keep his factory, through all the turmoils of economic change, fully, steadily, and not unprofitably, employed.

'Unprofitably!' I hear some Socialist critic of mine, with more dogma than sense, scornfully echoing the word. Are not Socialists out to abolish the profit system, and therewith all forms of private profit? I, for one, am not. I see nothing more anti-social in the mere act of running a business in the hope of making a profit than I see in writing this book in the hope of getting royalties on it—though the hope of royalties is by no means my only purpose in writing it, or, I trust and believe, the only satisfaction many a small employer gets out of running his factory or workshop. We most of us work from mixed motives; and I know plenty of employers who derive quite as much satisfaction from the sense of running their factories well as from the profits they get out of them—though of course that satisfaction would not serve without a spice of profit; for a man must live, and prefers to live well.

The immorality of the profit-system lies not in the mere making of profit, but in the dominance of the profit-motive over considerations of service. Profit is a convenient method of rewarding the efforts of the small-scale independent producer, just as wages

and salaries are convenient ways of rewarding the efforts of those who work in employment as members of a team. How, if not by the receipt of profit, is the independent farmer or shopkeeper or professional consultant to be provided with the means of life? Some Socialists, of a doctrinaire temper, would no doubt be prepared to cut the Gordian knot by saying that independent farmers, shopkeepers, master-craftsmen, and professional consultants ought all to be abolished, and converted into salaried servants of the public; and some might even go so far as to apply the same treatment to artists and writers of every sort and kind. But this is doctrinaire nonsense. It is quite possible to contend that the members of some particular profession—say, doctors—ought to be made public servants owing to the special exigencies of their calling and the undesirability of allowing considerations of profit to intrude upon their work. But it is nonsense to apply the same rigid rule, without arguments relative to each particular case, to all the professions. It is quite possible to argue that much farming would be better carried on by large State or co-operative enterprises, and not by individual farmers. But it is nonsense to conclude from this that nobody ought to be allowed to cultivate a patch of land and live by the income he can make out of it. Nor should it be forgotten in this connection that co-operative farming does not abolish profit but only spreads it over a group. It is possible, again, to argue that shopkeeping would be better concentrated for the most part in departmental or multiple stores under State or co-operative ownership and control. But it does not in the least follow that nobody ought to be allowed to make a living by running a shop for the sale of goods—say, antiques or second-hand books or tailoring—which afford an opportunity for the exercise of personal taste or craftsmanship. Finally, it does not follow, because there is a strong case for getting coal, or making steel, or building ships under public ownership and control, that it is wrong to allow anybody to run a small workshop or factory for making ‘specialities’ as a private, profit-making affair.

The real question, of course, is, where to draw the line. Some have attempted to draw it by arguing that it is legitimate for a man to apply his own labour to making a profit, but illegitimate for him to employ anybody else. I cannot follow this reasoning. If it is legitimate for a craftsman to work on his own, it must surely be allowable for him to take an apprentice, and teach him his trade. Nor can it, I think, be illegitimate for him to employ less skilled men as journeymen, when their work is essential to the making of the products. No doubt any employment, of apprentices or journeymen, should be governed by strict conditions,

which the State should lay down and enforce. Subject to what is said below, the independent producer should not be allowed to employ anyone on worse conditions than are provided for employees of the same skill or quality in the public service; and there is much to be said for insisting that all industry which requires employed workers and is left unsocialised shall assume to some extent a co-operative or co-partnership form, so that every employee can be a participant in the profits and in the control. By all means let such conditions be enforced, as fast as the right forms and methods can be worked out. Provided that the conditions are made right, I hold that there is everything to be said for leaving the door wide open to small-scale private employment, even when the great industrial enterprises have passed entirely under public ownership and control.

One reason for this—an important reason in view of the changing age-structure of the British people—is that there will be many older men and women who can ill endure the pace and discipline of large-scale production and modern machine technique, but can do excellent service if they are allowed to work at their jobs under less hurried and exacting conditions. A community including a high proportion of old people will not be able to afford to dispense with the labour of these older workers; and the workers themselves will be very much happier with useful jobs than if they are forcibly retired or sacked and left with nothing to do. Small-scale shopkeeping and certain kinds of speciality production and repair work in small workshops or factories are just the kinds of jobs in which these older people can render the best service; and it will be sheer folly so to organise the productive system as to allow no scope for their contribution.

But where, it will be asked, is this concession to profit-making to stop? It is not a concession to profit-making: it is a recognition that profit-making is entirely unobjectionable within its proper sphere, and entirely objectionable outside that sphere. Where, then, are we to draw the line? There is no need to draw it at all, in any definitive or absolute way. There is no need to socialise at once all the forms of production it may prove desirable to socialise some time: nor is there any reason why a form of production, socialised at first, should not be handed back, under proper safeguards, to private enterprise if socialisation does not yield good results. Within a single branch of production there may be some parts which it is desirable to socialise, and others which are best left under private ownership and control. The less rigidly the line is drawn, the more room will there be both for diverse experiment and for suiting different types of men and women with jobs in which they will have a decent chance of being happy.

There are, however, certain overriding considerations which ought to govern public policy in deciding what to socialise, and what not. In the first place, it is clearly necessary to take into public hands all industries or processes which, for technical reasons, lend themselves to the practice of monopoly. Whatever forms of profit may be legitimate, monopoly profit derived from the aggregation of great masses of capital under unified control clearly is not. It leads unavoidably to the adoption of restrictive practices, because restriction leads for any particular monopolist to higher profit than the pursuit of plenty, as long as there is a substantial area outside the range of monopolist control, and therefore available as a source from which additional profits can be drawn away. Monopolies are perpetually dangerous, because the interests of their proprietors are in permanent opposition to those of the consuming public: they are most dangerous of all when the monopolists succeed in bringing Trade Unionism in as a junior partner in the process of exploiting the public.

The industries and processes which fall under this general description include all those in which capital has to be drawn together into very large masses for efficient production, so that there can be only a small number of efficient producing units. It includes also all those in which, though the masses of capital are relatively small, a particular essential process or material can be brought under monopoly control by the linking up of a smallish number of enterprises. To the first of these groups belong steel-making, shipbuilding, flour-milling, the manufacture of heavy chemicals, a number of branches of heavy engineering, and doubtless some other industries: to the second belong most of the non-ferrous metal trades, and various other trades engaged in the import or processing of key materials or foodstuffs.

But these two types by no means exhaust the list of industries and processes which call for early socialisation. The third group consists of industries which, though they include too many separate units to fall under the first group, have nevertheless been shown by practical experience to be incapable of serving the public interest under private enterprise. The outstanding member of this group is the coal industry, which, unable to create a monopoly by its own efforts, has been erected into a private monopoly by legislation, under conditions which have improved its own profits without providing any better for the public service. To this group belong also the public utility services—railways, electricity, gas and water—which are, like the coal industry, so essential to the satisfactory working of other industries and services and to the health and comfort of the community that inefficiency in their conduct is intolerable and their exploitation

for private profit plainly against the public interest. The industries and services in this group are already in various stages of transition from private to public control. The railways resemble the coal industry, in that they have been erected into a virtual monopoly by legislation, after having failed to achieve monopoly by their own efforts. They differ from coal in that no sooner had the State made them into a capitalist monopoly than this monopoly began to break down on account of the developing competition of road transport. But this, so far from improving the situation from the public standpoint, has led to chaotic competition between the rival means of carriage. The railways, tied down by rate-fixing regulations which were intended as safeguards against the abuse of their monopoly, have been unable to adapt their rate-structure so as to achieve a sensible distribution of traffic between road and rail in accordance with relative costs; and the road-transport agencies, having begun to threaten the railways with bankruptcy, have in their turn been hobbled by restrictive licensing regulations designed to prevent them from capturing from the railways the amount of traffic which would have gone by road under conditions of unrestricted competition.

There appears to be no way out of this impasse but by co-ordination between the two transport agencies, so as to provide a single carrying concern which will transport goods by road or rail according to its own judgment of expediency and cost. But it is clearly out of the question to place this power of judgment in the hands of a profit-seeking monopoly; and there is accordingly a clear case for the unification of both forms of transport under public ownership and control.

This case applies to road and rail agencies as far as they are carriers of other people's goods. A separate issue arises in connection with the growing practice of firms doing their own cartage, over long as well as short distances. There is no *prima facie* case for stopping this practice, on grounds of economy; for presumably firms adopt it because they find it preferable to hiring transport. There may well be a case for limiting it on quite different grounds—in order to reduce the volume of heavy, long-distance traffic on the roads. But that is another matter, which falls outside the subject of this chapter.

Of the public utilities, usually so called, water-supply is pre-eminently a public-health service, though it is also of great importance to industry. It is already for the most part in public hands; and the problem which it presents is mainly that of extending adequate supplies of pure water to those areas of the country which are at present without them—mainly the rural areas. This clearly will not be done by private enterprise: nor is private

enterprise a likely way of ensuring that proper use is made of local resources before water is brought from a distance, or of securing a right allocation of distant sources between rival claimants. It is, moreover, a clear point of principle that public health services ought to be publicly operated and not made the sport of private interests.

Electricity supply is already partly socialised, under the Central Electricity Board, which controls main-line transmission; and a large part of the business both of generation and of retail distribution of current to consumers is already under municipal control. But there remain both a number of large private Power Companies, generating current which is sold both to big industrial consumers and to municipal and private distributors, and also a large number of interlocked private companies engaged in generation and distribution. In addition, a number of big concerns, including railways, own their own power-stations. It seems clear that the extremely complicated provisions under which the Central Electricity Board, instead of operating its own generating stations, has to buy current from Power Companies and from municipal and private stations and then re-sell it, often to the very concerns from which it has been bought, is uneconomic and foolish, and that it would be very much better for the Central Electricity Board to take over the whole business of generation, except perhaps where a private station exists solely for supplying the big industrial enterprise which owns it. Given this unification, it would be possible for the 'Grid' to institute a national system of charges throughout Great Britain; and the task of electrifying the countryside and the remoter areas generally would be immensely simplified. I do not suggest that the Central Electricity Board should take over the job of retail distribution of current, which would probably be best organised on a regional basis, under public ownership by some sort of Joint Board or *ad hoc* authority for each region, subject to a general system of national co-ordinating control. What is clear is that there is no room in this industry for the continuance of private profit-making. The case is one for complete unification of the basic supplies, and for regional public control of the end nearest the consumers.

Gas supply, again, is already under municipal public ownership in a considerable number of areas. But there are both very big private concerns, such as the Gas Light and Coke Company, and many smaller private concerns, often controlled by the larger companies or by holding companies which have bought out the original owners. There is, I think, no clear case for a national unification of the gas-supply service, which is destined to remain mainly local. Only in a few areas is long-distance transmission of

producer-gas from industry likely to be practicable. Indeed, it becomes less practicable as industries achieve greater efficiency in using up gases that formerly ran to waste. Nor is there any necessary economy in increasing the size of gas undertakings beyond a certain point, which is fairly soon reached. The economy that is important is that of unified technical administration and research; and this can probably best be achieved by regional rather than national consolidation. The right solution seems to be the amalgamation of gas undertakings on a regional basis, under regionally unified technical direction. And this could best be achieved by regional public ownership, parallel to the ownership of the system of electricity distribution.

Some will argue that there should be a single directing authority in each region for both gas and electricity, in order to avoid competition between the two sources of heat and light. But why? May not competition between these rival services be a thoroughly good and healthy thing, provided they are both being conducted in the public interest? No one can yet say confidently what are the proper limits for the two forms of supply, or whether there is a uniform rightness for different areas. The days of gas as an illuminant are doubtless numbered; but for heating rooms or water or cooking why not let the consumers choose? Some co-ordination, I agree, will be needed at the centre—some tribunal to which those responsible for the two services can refer differences as they arise. But I see no need for more than this. I am no more in love with co-ordination for its own sake than with socialisation for its own sake.

One good reason for socialising a large-scale industry or service is that it occupies a key position in relation to other industries and to the economic system as a whole, and ought therefore to be operated primarily with a view to the well-being of these other industries or services, and not with a view exclusively to its own profitability. This is an added reason for socialising coal, the basic forms of transport, and the public utilities. It is also a very powerful reason for the socialisation of certain key services which have not so far been considered at all. Foremost of these are banking and foreign trade. If the productive system as a whole, including both the socialised and the private 'sector', is to be planned with a view to the public interest, it is clearly necessary to ensure that the available supplies of credit, at both long and short term, shall flow to the various branches of production and service in accordance with the requirements of the national economic plan. Bankers deal in a curious commodity, money, which they are in a position, provided they agree among themselves, to manufacture or destroy in any quantity they choose,

subject to any limitations imposed upon them by law. They derive their profits from this process of manufacturing and destroying money, making it cheap or dear, under a permission accorded to them by the State, and modifiable at any time by decision of the State. So vital is this service that the State cannot in these days allow any big bank to fail—so many are the enterprises which would be dragged down by its fall. The banks therefore enjoy a virtual guarantee from the State, though this is nowhere explicitly specified. But this guarantee is quite in the background save at moments of peculiar crisis (such as beset the European banking system in 1931, and the American a year, or two later). Normally, in Great Britain at any rate, the bankers' profits are so secure that it is very nearly true that profit does not count as a motive in determining their policy. Their shareholders' capital forms but a tiny proportion of the resources with which they operate: by far the greater part consists of sums deposited with them by the public, or of money manufactured by themselves. They can accordingly pay high dividends out of a tiny surplus on their turnover; and in practice their dividends vary hardly at all from one year to another.

It is sometimes suggested that this immunity from the need for profit-seeking means that the banks are already run as a public service, and that socialisation could in no wise affect their policy for the better. But in fact the bankers' conception of public service is highly peculiar. The bankers regard themselves as pre-eminently the guardians of capitalist stability, which they identify with stability of the money system. They have shown in the past no hesitation in plunging Great Britain into the depths of depression in order to safeguard the rates of foreign exchange and preserve the 'value of the pound', so as to enable it to 'look the dollar in the face'. To this sacred notion they have been prepared to sacrifice everything; for our leading bankers are mostly men of small mind and scanty imagination, who cannot see an inch outside the delicate mechanism which they have spent their lives in learning to administer according to the traditional rules. They are not monsters, or bloodsuckers, as some of their critics suppose them: they are only hidebound devotees of a tradition which makes money an end in itself instead of a means.

Now, there was a time when this traditional routine had something to be said for it. Stability of exchange rates is a good thing, as long as it does not conflict with a greater good. It is helpful to the merchant to know that, if he sells something for so many dollars or francs, he can turn these dollars or francs at any time into a definite number of pounds. But it may be much less important that the exchange rates shall be stable than that hundreds

of thousands, or even millions of men and women shall not be thrown out of work because the banks, in order to keep the rates stable, decide to enforce a policy of deflation.

At all events, the regulation of the supply of money is much too vital a matter to be left to the decision of private persons, even if they are not actuated mainly by motives of personal profit. In practice, the control over the amount of money available rests mainly with the Bank of England, whereas the other banks chiefly decide who is to be allowed to have the use of it. The Bank of England operates in an association with the Treasury so close that it is often difficult to say which controls which. In war, the Government has no doubt the final word; but in peace? In 1931 the Bank of England seemed to be the final arbiter, and used its power to turn the Government out.

It is true enough that the Governor and directors of the Bank of England do not shape their policy so as to get their shareholders the largest possible profit. The Bank of England's dividends are the most stable of all, and no one worries about them. But from the very beginning the Bank's directors have been drawn mainly from the great financial houses of the City of London—the supreme home of dealers in international money, who regard money as an end—and the Bank's policy has been governed by considerations of monetary stability as it affects the money-changers. Of recent years, to mollify criticism, there has been an infusion of directors from other parts of the business world; and even an economist has been given a seat. But the Bank of England remains primarily a cabal of City men.

There has, indeed, been no public divergence between the Government's policy and the Bank of England since the crisis which drove the second Labour Government out of office. But why should there have been? Was the Bank likely to pick a quarrel with Baldwin or with Neville Chamberlain? The danger of a dispute over financial policy between Government and Bank is not likely to arise except when a progressive administration is in office—any more than the House of Lords is usually an obstacle to Conservative legislation. The Bank of England is a sort of financial Third Chamber, which shows its teeth only when the electorate has committed the indiscretion of not returning a Conservative majority.

It is plainly undesirable to leave the supreme direction of monetary policy in the hands of an irresponsible body of this temper, or even to divide it between such a body and the Treasury. It is none the more desirable now that the Bank has sought to strengthen its influence by taking a few representatives of Big Business on to its board. The combined influence of City

finance and the monopoly capitalism of industry is no more likely to be on the side of a policy of world plenty than the influence of City finance alone—even if it is likely to be less hide-bound by tradition. The Bank of England ought to be socialised outright, and placed in the hands of men chosen for their belief in the virtue of public enterprise and planned production, as well as for their financial competence. It may not be altogether easy to find these men; but they can be found, as they were in Russia, where the prospect of finding them seemed to be much less. Banking is not really so difficult a mystery as we have been led to believe.

The joint stock and private banks which revolve in their separate orbits round the Bank of England form, broadly speaking, two distinct systems—the regular banks of deposit and the ‘financial houses’. Neither of these groups exerts, directly, much influence over the total supply of money: their function is rather one of distributing the available supply among would-be borrowers. The joint stock deposit banks are the main holders of the cash balances both of private citizens and of business firms, and are also the principal suppliers of short-term credit to industry. In a properly organised economy, it will be for the central bank—the Bank of England—to follow a financial policy which will provide the monetary supplies needed in conjunction with ‘full employment’—of which more anon—and for the deposit banks to ensure the distribution of credits in proper relation to the requirements of the national plan of production.

With this end in view, it is plainly necessary to socialise the deposit banks, whose existing directors will be apt to be visited by a ‘loss of confidence’ when any progressive Government sets about a policy of social control and economic planning, or threatens in any way the dominance of monopoly capitalism. The deposit banks are largely directed by men closely connected with the big industrial interests, and, with some exceptions, tend to favour big business as against small. They are for the most part bigoted opponents of Socialism, and entirely convinced that capitalism is the best of all possible systems. They are therefore likely to look with special disfavour and lack of confidence on State-promoted industrial plans, and to do all they can to aid and comfort any industrialist who is endeavouring to stand out against a socialistic Government. But fortunately the war has already put them largely into the State’s power. They are very large holders of the public debt, and have become accustomed under war conditions to doing the State’s bidding in the supply of accommodation. They will doubtless strive to escape from this position of dependence on the return of peace; but no quick

escape is likely to be possible. The time for taking them over is now, while they are acting in effect as the State's agents in pursuance of a war-time economic plan.

The bankers and their allies try to scare the public into opposing socialisation chiefly by two arguments—that private persons' deposits will be less secure when the banks are publicly owned, and that the tax-gatherer will then be in a position to know all about the private man's affairs. As for the safety, this argument is mere nonsense. Bank deposits cannot be made less secure by having the formal guarantee of the State behind them; indeed, the truth is quite the reverse. As for the tax-gatherer, he knows a great deal already, and it is entirely in the interest of the vast majority of people that the few who now successfully evade taxation should be prevented from getting away with it. Finally, there is the fear among business men that it will not be so easy to get credit from a State Bank as from a private banker. This is doubtless true, where credit is wanted for speculation or for other anti-social purposes; but a State which is deliberately following a policy of 'full employment' will surely be eager to grant credits to anyone who is prepared to produce in accordance with the requirements of the public economic plan. If the State decides, as I have urged that it should, to leave private enterprise in being over a considerable part of the industrial field, a State Bank is most unlikely to stint the businesses which are left in private hands of the credits needed for carrying out their part of the production plan. Indeed, the small business is likely to find State credit a great deal easier to come by than it has found private bank credit in the recent past.

There remain the 'financial houses'—discount and acceptance houses which discount or accept bills chiefly in connection with overseas trade, issuing houses which handle new issues of capital, again, until recently, mainly for overseas, and a few private banks which conduct certain highly specialised forms of financial business for big clients, including both foreign Governments and overseas banks and financial concerns. The deposit banks are already in direct competition with the financial houses over a considerable part of this range of business, and tend to compete more and more. Socialisation of the deposit banks will bring the State right into discount and acceptance, if such transactions are to survive at all. Issuing of new capital is a rather different matter; but there is no reason why a State banking system should not make its own provision for all the issuing that is likely to be required, either directly through the State Bank or Banks or, as has been often suggested, through some sort of National Investment Board empowered both to underwrite and issue approved

loans and investments, or itself to make public investments in concerns which call for development in accordance with the provisions of the national economic plan.

I have discussed these problems in earlier writings,¹ and I have no space to enlarge upon them here. What seems plain is that, if production is to proceed in accordance with a national plan laid down by the State through its appropriate economic organs, finance must be so organised as to serve as the handmaiden of industry, and not as its master.

There are other services which I want to socialise—notably insurance, both because it is an important source of funds for capital investment and because the State can give the insured, especially if his means are small, a much better return for his money than is possible with the wasteful duplication of administrative machinery under private enterprise. But there is only one other group of economic services which I have space to discuss, and cannot omit, because it occupies a key position in the control of Great Britain's post-war affairs. This group embraces the closely related activities of foreign commerce and ocean-going shipping. I believe there can be no question that the public monopoly of foreign trade played a vitally important part in the development of the economy of the Soviet Union, or that it is highly desirable to bring the post-war overseas trade of Great Britain under the direct supervision of the State. Stress has been laid in earlier chapters on the inevitable difficulty of balancing Great Britain's overseas accounts during the period immediately after the war, in view of the large quantities of imports which must continue to be brought in, and of the obstacles in the way of speedily raising exports to a high enough level to meet the cost. Under these circumstances it will be imperative both to prevent scarce exchange resources from being frittered away on unnecessary imports, and to do all that can be done, without violating the ban on 'discrimination', to increase the value and volume of exports. Even capitalists recognise the impracticability of an early return to uncontrolled overseas trade after the war; and, in co-operation with the Government, they have been for some time organising Export Groups which are trying to arrange for the co-operation of entire trades in planning their post-war export policy and even in selling jointly, on behalf of the trade as a whole. These Export Groups, in the form in which they are now being planned, are of course meant to act as the agents of

¹ For example in *Plan for Democratic Britain* (1939), in *The Machinery of Socialist Planning* (1938) and in *The Principles of Economic Planning* (1935). The war has altered many things, but not the mechanisms needed for Socialist economic control.

private capitalism, invoking the State's support with the minimum of State control over their working. But in fact the State will have after the war to finance export trade with long credits and guarantees, and to provide for selling exports at an accounting loss if it cannot otherwise come by the amount of foreign exchange required to pay for necessary imports; and in return for these services to the exporter it will have every right and every reason to insist on taking the sale of exports, or at all events of a great part of them, into the hands of public, non-profit-making agencies which will cut marketing expenses to the lowest possible point.

There is an even clearer case for the socialisation of import trade, especially in all important foodstuffs and raw or semi-finished materials. This is needed, in order both to secure the economies of bulk purchase under long-term contracts with the producers' representatives, and to make practicable the international planning of production. Import Boards worked remarkably well on the whole during the last war, and were given up solely because capitalism insisted on having this large field for profit-making given back into its hands. They are again working well on the whole during this war; and, this time, they must not be given up, but transformed into agents of a post-war plan of organised international exchange.

Shipping is closely bound up with import and export trade. A part of the cost of goods reaching this country is the cost of transporting them to it, in either British or foreign bottoms. The control of shipping will play a vitally important part in the balancing of the international accounts, and should rest in the same hands as the control of foreign trade—that is, in the hands of the public and not of any profit-seeking interest. There is, moreover, another reason why shipping must be under complete public control during the period of reconstruction; for it will be essential, while the productive powers of the world are being recreated and developed, to direct ships to where their cargoes are needed most for relief or recovery of devastated lands, and not to where the highest profits can be made. Nor will it do even if the private shipowner is willing to send his ships where they are needed; for the necessities of the impoverished peoples must not be exploited for the shipowners' profit. Cheap transport by sea, as well as transport of the right things to the right places, will be a primary post-war need.

This rapid scamper through the industries and services which it is necessary to socialise at the first opportunity is, by inference, also largely a designation of those which it will not be necessary to socialise. These latter, it will be seen, include in my view the great majority of ordinary manufacturing industries and con-

cerns. Some of these it may prove desirable, for good reason shown, to socialise later on; but in general my argument is that, given the socialisation of the great monopolies and of a limited number of industries and services which occupy a key position in relation to the economic system as a whole, there is no need to hurry to extend the field of social ownership beyond these limits.

If the key positions for the control of economic policy can be brought under effective public administration, the influence of the new order will be able effectively to permeate the entire economic system, and the profit-motive, instead of operating as a restrictive and anti-social force, will act naturally as an incentive to productive effort, as it did in the period which ended with the growth of monopoly, and as it still does to a great extent in more primitive countries. This is not to say that the profit-motive, thus limited, can be left to operate in the old way; for no repetition can be tolerated of the inhumanities and cut-throat struggles which have left their indelible mark in every industrial area of to-day. Private enterprise, which is a very different thing from monopoly capitalism, has a legitimate part to play in the economic system of the future. This part is likely to be much smaller in Great Britain than in many other countries, because British agriculture employs, and is likely to employ, only a small proportion of the working population, because British industry includes a high proportion of large-scale enterprises, and because import and export trade play a large part in the total make-up of the British economic system.

But though the part to be played by private enterprise may be smaller here than in some other countries, its sphere will not be unimportant, from a human as well as from an economic point of view. With proper safeguards against the exploitation of those employed in it, it will afford the means of congenial service to many who would be wretched as either workers or supervisors under the discipline of mass-production. It will assure an element of diversity and originality with which the productive system can ill dispense. And it will provide valuable opportunities for the older workers to find means of contributing to the needs of the community when they are getting past endurance of the pace of modern machinery, and will be miserable if they are merely flung on the scrapheap, even with pensions, but with nothing to do.

It would be the height of folly to refuse these advantages in pursuance of a theory that, for the sake of consistency, everything ought to be tidily socialised. And it would be no less foolish for those upon whom will fall the burden of carrying through the great change to make that burden heavier than it needs must be.

Soviet Russia has its *artels*—its co-operatives of craftsmen for the carrying on of the lesser crafts—as well as its co-operative farms; and it may well be that what survives of private enterprise in Great Britain will increasingly assume a co-operative form. But there is no need to insist on this: it can be largely left to develop of itself. The completeness with which private enterprise was extinguished in the course of the Russian Revolution, though it was probably unavoidable, was not a benefit to the Russian people. On the contrary, it was a disaster, compelling before long a partial return to the old forms of enterprise under the regulated conditions of Lenin's New Economic Policy. The extinction happened partly because the middle sort of private enterprise was much less strongly developed in Russia than in more economically advanced countries, and partly because the new regime in Russia was ushered in by the almost total collapse of the old. The more violent the change has to be, the less of the old order will be carried over into the new. But this will not be an unmixed blessing; for amid the violence good things and evil things will go down together. Only an orderly transition can make it possible to choose what to destroy, and what to preserve. But the choice between an orderly and a violent transition is not one which Socialists are unilaterally free to make.

CHAPTER VI

PLANNING AND EMPLOYMENT

IN THE course of the preceding chapter, frequent reference has been made to the need for a 'planned economy' in post-war Britain. It has, I think, appeared pretty plainly from what has been said what this expression means; but it is perhaps desirable at this point to attempt a definition. By a 'planned economy' I mean an economic system in which the broad decisions about what is to be produced, either for home consumption or for export, about what is to be imported from abroad, and about the extent and character of capital investment, are made collectively on behalf of the whole community, instead of these things being left to be settled by the private decisions of a number of combines, firms and individuals, in accordance with their several expectations of private profit. 'Planning' is not, of course, necessarily an all-or-nothing affair: an economy may be partly planned and partly planless, and planning may be either confined to general directives or carried through into the details of each type of output. Moreover, planning may be either centralised, or decentralised

on a local or regional basis, or a mixture of both; and there are many alternative kinds of planning machinery which can be used.

This last question I have already said that I do not propose to discuss in this book, because I have dealt with it already in other volumes, and see no need to go over the ground again. It is, however, desirable to relate what was said in the preceding chapter about the extent of socialisation to the notion of economic planning, in order to see how they fit in. Manifestly, planning is not in itself a cure for the economic difficulties of Great Britain. It is only an instrument, which can be put to good or bad use.

Planning would be a disaster if it were to be applied according to the ideas of monopoly capitalism. For such planning, wherever it was applied, could result only in a decision to curtail production within the limits set by considerations of maximum profit; and this, so far from engendering prosperity for the people, would ensure the permanence of mass-unemployment and the poverty of the greater part of the population. The planning which was assumed throughout the preceding chapter rested on foundations very different from these. It was planning for plenty, by means of a policy of 'full employment'.

This brings us to a second conception which I must endeavour to define. 'Full employment' does not mean that no one in the whole community is left out of work. Unemployment of certain sorts there will always be, however well organised society may be for its prevention. There will be intervals between jobs, changes from time to time in the demand for labour of different kinds, which will involve either standing idle for a time or undergoing some sort of re-training, according as the shift is expected to be temporary or lasting. There will be temporary local surpluses of labour in one place, coinciding with shortages in another, however much effort may be made to reduce such 'frictional' forms of unemployment to the lowest practicable level.

'Full employment', then, does not mean that everyone capable of work will be always at work. What it does mean is that the economic system will be so organised that there will never be a deficiency in the total demand for labour, arising from the deficiency of financial incentives to its employment. Men will never stand idle because, though they could be used in producing things that are wanted, it seems more profitable to leave them idle than to employ them in producing these things.

The customary use of the phrase 'full employment' has been in connection with monetary policy. Those who have urged a policy of 'full employment' have demanded that, whenever the total volume of employment shows signs of falling off, an effort should be made to restore it by the more liberal issue of credits,

either at lower rates of interest, or subject to less exacting conditions as to the 'credit-worthiness' of would-be borrowers. Where the offer of easier credit fails to raise the volume of employment, they have urged that the State, by setting on foot 'Public Works', should both add directly to the numbers employed and indirectly procure employment for others through the increased circulation of purchasing power to which these works would give rise. The policy of 'full employment' has thus had two aspects—the expansion of bank credit and, where necessary, the direct provision of employment by the State.

These two methods have been advocated as ways of reducing unemployment under the capitalist system. The object of both has been so to raise the profitability of production as to induce private employers to take on more workers and produce more goods. The experience of the New Deal in the United States showed that, though this double policy could be made to some extent effective even in face of the widespread hostility of Big Business, that hostility could obstruct it seriously, and make very large doses of credit creation and of State employment necessary for the securing of any substantial results.

How will this situation be affected if the State, by taking a number of the basic industries and services into its own hands, becomes in normal times the employer of a considerable proportion of the labour force and the controlling owner of a large part of the nation's capital resources? Evidently, the State's power to maintain employment will be greatly increased, because it will not have to decrease production and employment whenever to do so would yield a higher profit. Nor should it be ignored that, under private capitalism, a decrease of output in one industry speedily spreads to others, because it destroys purchasing power and thus makes production less profitable in all industries. Conversely, the maintenance of employment and production in one industry reacts favourably on others: so that the maintenance of activity in the socialised sector of industry will tend to keep it high in the sector which is left under private control.

Economists who demand a policy of 'full employment' under capitalism belong to two apparently conflicting schools of thought. One of these schools stresses the importance of maintaining the consuming power of the people, in order to ensure a wide market for that part of the product of industry which is destined to be speedily consumed. The other school stresses the importance of maintaining the level of capital investment, and holds that if the industries which make capital goods are kept in active employment, this will suffice to keep total demand at a high level, and the consumers' market can be left to look after itself. But these

two views are not nearly so inconsistent as they appear. It is the case that, under capitalism, the demand for capital goods tends to fluctuate much more widely than the demand for consumers' goods. People must consume, up to a certain point, if they are to remain alive; but they can carry on over a considerable time with hardly any new capital goods—though of course this will affect their future producing power. The production of both kinds of goods being determined, under capitalism, by considerations of profitability, and new capital goods over and above minimum replacements being needed chiefly for the purpose of *increasing* production, the demand for capital goods may sink very low indeed when most firms are thinking rather of curtailing than of increasing output. Therefore, under capitalism, the easiest way of stimulating employment is by increasing capital investment; and it is mainly to this object that both the cheapening of credit and the undertaking of capital works by the State are directed. For the capitalist may see a prospect of using capital profitably if he can borrow it more cheaply; and the State, if it thinks fit, can undertake capital works such as the building of houses, roads and bridges to a practically unlimited extent.

It is, however, no less possible to stimulate employment by direct additions to the consumers' purchasing power. For, if this power is high, it will pay capitalists to increase production, especially in those industries which are not under the control of restrictive monopolies; and even monopolists will increase output, though usually to a smaller extent, when they are sure of a profitable market. The only difficulty about acting in this way is that, if the State makes gifts of purchasing power to consumers, it has nothing to show for them, whereas if it produces houses, or other tangible goods, it has something to show and can proceed to repay its expenditure, at any rate in part, over a period of years, out of the rents or other charges made for the use of the capital goods which it has created. It is therefore preferable for the State, when it wishes to stimulate consuming power, to achieve its purpose by paying people for producing something rather than for doing nothing. Both methods have the same effect in raising the level of consumers' demand; but the 'public works' method makes the community better off in capital equipment. The need for resorting to the method of giving away consuming power for nothing arises only when the character of the available labour and equipment does not admit of a sufficient expansion of capital goods production to create the required addition to total purchasing power. This can happen only as a result of a 'rigidity' in the structure of the economic system which makes it difficult to transfer resources quickly from one form of production to another.

Under the capitalist system, however, the State is seriously handicapped in applying a 'public works' policy because the capitalists strongly object to the State embarking on any form of production which they regard as competitive with their own undertakings, or as likely to prejudice their prospects of profit. The capitalists will not allow a State which they control to build factories or any form of productive capital equipment which would interfere with their own trade. The monopoly capitalists are mostly engaged in an endless struggle to keep down the total amount of productive plant in their several industries, and are much readier in a slump to destroy existing factories than to see new ones built; and the competitive capitalists would be no less hostile to any attempt on the State's part to invade their several fields of production. Accordingly the State is only allowed, under capitalism, to embark on 'public works' which do not interfere with the capitalists' prospects of profit, or, if they do interfere at all, do so only at the expense of groups of capitalists who are not strongly enough organised to make their opposition effective. This means that the State is allowed to build roads, bridges, water-works, and other non-profit-making capital works practically *ad lib.*, or rather subject only to the squawkings of those reactionaries who are so afraid of high taxation or inflation as to welcome mass-unemployment as an alternative. Houses also the State is usually allowed to build, provided that it employs private builders to erect them at a profit, and keeps clear of building houses of the superior types on which the building industry sees its way to making a profit without the State's aid. Beyond these limited forms of public works capitalism sets up a howl if the State attempts to advance. It set up a howl in the United States against the Tennessee Valley Authority, and did its best to get that great project of capital construction vetoed in the American courts.

A State already in ownership and effective control of the great industries producing capital goods will evidently be in an infinitely stronger position for carrying through an effective public works policy. It will be able, as the Russians have been able, to apply as much of its resources as it pleases to developing the basic capital structure of its industries; and, as it will not be governed in what it does in this field exclusively by considerations of profit, it will be in a position to sustain activity in the capital goods industries lastingly at any levels it may think good. Over and above this, it will be able, through its control of the investment market, to make or foster such investments as it thinks fit in the industries producing consumers' goods, or to embark on production in these industries itself, side by side with the private producers. The essential power will reside in the State, and not with the capitalist

forces of obstruction; and there will be no difficulty in pursuing a policy of 'full employment' without being driven, as capitalist States are driven, in order to stimulate purchasing power, to produce relatively unwanted things, because the capitalists object to the production of things that are wanted more.

Nevertheless, it is likely that the building and civil engineering industries will continue to occupy a pivotal position in economic planning and in the assurance of 'full employment'. This will be true abundantly in the period immediately after the war, when it will be necessary at one and the same time to overtake large arrears of normal house-building accumulated during the war, to repair *blitz* damage to all sorts of property, to replan damaged cities, and to provide for large-scale movements of population from one part of the country to another, both in connection with necessary changes in the structure and location of post-war industry and in order to provide for healthier and better living for the millions who have been cooped up in the congested quarters of our hideous industrial towns. There will manifestly be work for many years after the war, not merely for the men already in the building and civil engineering industries, or left in them or able to return to them when the war ends, but in addition for hundreds of thousands of other men released from the armed forces or the munition works—men who will need special training for the job, to supplement the partial training in operations useful for building many of them will have got during their period of war service.

This rebuilding of Great Britain, which will be the greatest of our immediate post-war tasks, ought to be on such a scale as to rule out all possibility of any serious unemployment for many years to come. Let us try to see rather more in detail what will be required. To begin with, we must avoid thinking of post-war town and country planning as if it were exclusively a matter of good housing, architectural beauty, and the preservation of the amenities of the countryside. These aspects of it are all very important; but there are other aspects besides—aspects even more fundamental for the future happiness of the British people.

Town-planning—to which a very little country-planning has been grafted on in recent years—has meant hitherto in Great Britain no more than a half-hearted attempt to prevent certain matters from being as bad as they might otherwise be. Where land is in private ownership and the owner is free to sell or let it to the highest bidder, irrespective of anyone's convenience but his own; where capital is in private hands, and any capitalist is free to dump down his factory where he pleases, no matter how much nuisance he creates; where anyone can build anything anywhere, and every desecration is permitted in the name of the rights of

property, hideousness spreads over the country as industry develops and population increases, or is forced to crowd into the neighbourhoods where employment is to be found. This 'freedom' gives rise to abuses so great that something has to be done to check them; and even capitalist-controlled States confer some power on local governing authorities to regulate the design, layout, and sanitary equipment of buildings, to check the pollution of rivers or even of the air men breathe, and to prescribe 'zones' or areas for various types of development—better-class residences, working-class residences, factories and commercial buildings, and so on. But these powers do not as a rule extend to the removal of existing nuisances, save on quite prohibitive terms: nor do they allow those who wield them to ensure that any 'zone' shall be actually taken up by the types of buildings deemed appropriate for it. The powers accorded are entirely negative: they merely enable the local authority to forbid certain things which ought not to happen, and give it a very inadequate power to influence, but not positively to prescribe, what shall happen. For, as is often said, it is possible to prevent an industrialist from planting a factory in some particular spot, but impossible to order him to plant it anywhere where he does not expect to be able to make a satisfactory profit.

This narrow limitation on town-planning powers is, indeed, inherent in a situation in which the building of towns and the location of industrial establishments are regarded as two entirely separate problems. Men must go to live reasonably near where they expect to find work; but it is nobody's business to ensure that good houses and the amenities of community life shall be present in or near the places where employers choose to plant their factories. Until quite lately, the assumption was that where more factories were built or old ones enlarged, speculative builders would speedily follow to erect dwellings for the factory workers—at a profit, of course—and amusement-purveyors and other providers of amenities would arrive in their wake to erect public houses, theatres or cinemas, shops and other auxiliary buildings. Out of the higher rateable values thus created local authorities would in their turn provide such meagre community buildings as were deemed to be necessary; and private charities and endowments, collectors and benefactors would supply churches and chapels and other public institutions for the inhabitants' good. The first point at which this theory broke down was that there was a terrible time-lag before all these things got done: so that, where growth was continuous, all the supplementary provisions were always a long way behind. People in growing towns had to put up with the most inferior supply of amenities, and large

tracts of working-class dwellings were left practically without any amenities at all. The second thing that happened was that the speculative builders ceased in one place after another to build a sufficient supply even of the shoddy and inconvenient houses which had been thought good enough for the working classes.

The point was reached at which somebody who was not a profit-seeker had to step in to get houses built both to provide shelter for increasing urban populations and to replace worn-out dwellings which were becoming intolerably unhealthy and out of repair. This came to be the task of the municipalities, in respect of a high proportion of the smaller new houses; and after the last war the State had to help with subsidies in order to catch up with the arrears. The municipalities became large owners of house-property; but it was still regarded as none of their business to supply anything much except houses in the large tracts of country which they began to cover with their little boxes of brick. Schools they were indeed under a legal obligation to provide; but the new working-class suburbs were mostly left without any sort of civic buildings or places where meetings could be conveniently held. Private enterprise was still looked to for the supply of any amenities that might be needed; and, of course, new factories and other places of employment were a matter for the private *entrepreneur* and not for the municipality or any public authority.

It is no wonder that, under these conditions, towns grew up shapeless and unsightly, and swelled into sheer monstrosities as they developed. Private builders, including employers in need of factories, naturally seized on sites which would cost least in development expenses; and what is called 'ribbon development' was the result. Municipalities, as well as private house-builders, tended to erect new dwellings in suburbs clustering round the older built-up areas: so that towns merely sprawled out over the countryside, destroying in the process much of the best agricultural land. There was so wide a gap between the price of land for agriculture—even the best—and the price of land ready for building development that agricultural values were merely ignored; and of course amenity values perished with them. There were almost no means available of setting about building new towns, and moving industry and population to them instead of extending and congesting the older urban areas. A few very big employers could have built new towns complete for their factories and work-people; but there was a case against doing this—as it is dangerous for a town to depend on a single industry or for an employer to have no reserve of labour to fall back upon—and, apart from that, it was generally cheaper for the big firm to plant its factory where someone else would have to meet the cost of housing its

workers. Two not very considerable new towns, Letchworth and Welwyn Garden City, got built by the prodigious efforts of bands of enthusiasts who put their money as well as their hopes into the demonstration that towns need not be so ugly or so unhealthy as most of them actually were. But the process was so costly, in effort as well as in money, that private reforming zeal is unlikely ever to bring another new town into being.

Nor was it anybody's business to bring to life towns that were dead. All over the country there were half-derelict towns, large and small, that the advent of new industries would have quickened into life. But private enterprise did not 'fancy' them: it preferred to herd, sheeplike, into the places which were already being crowded up; and all the inducements the Commissioners for the Special Areas were able to offer (after a tough struggle to secure the concession even of very limited powers) achieved only a little by the inducing of small firms to settle on new Trading Estates, in which buildings and power could be cheaply rented, and the need for working capital reduced to a minimum.

Contrast with this grotesque muddle the colossal city-building achievements of the Soviet Union during the past twenty years. When the Russians decide to build a city—which they do while we are still arguing about the plans for a Village Hall—they decide to create it industries and all complete. There is no division of the responsibility among a number of entirely independent groups of persons, with no co-ordination between them. There is a city plan, including factories, power-supply, houses, shops, public buildings, transport—everything that is regarded as necessary being comprehended within the single, unifying plan. Doubtless, there is often much to find fault with both in the plan itself and in its execution; for the Russians are very short both of designing and of executive skill. But can anyone possibly doubt that this is the right way of setting about the building of a city, if a city is to be built at all?

Our post-war problem in Great Britain will be different from this; for we shall not be under the necessity of building new cities where is nothing. Our task will be threefold—to rebuild existing cities on nobler lines, so as to remove congestion and ugliness out of their midst, and to plan, and therewith limit, their future growth; to reanimate dead cities by providing them with suitable industries as well as by re-planning them on more spacious lines; and to decide which of the great war factories, often built well away from existing urban areas, we are to do away with, and which to use as the basis for new cities equipped with their proper complement of dwellings and services and provision for the amenities of life. We ought to be laying the plans for this post-

war city-making *now*; for such plans take time to prepare, and the season for carrying them out will begin the very moment the war is at an end.

But the making of good plans for the rebuilding of Britain involves the creation of an authority through which the plans can be not only drafted, but also carried into effect. No such authority can exist as long as the land of Britain remains under private ownership and control. For private ownership of land requires that the State, in replanning blitzed areas and redistributing populations, must either preserve intact the site-value of every single patch of land in separate ownership, or must compensate every private owner for every loss of value which may be attributed to its plans. Whereas, were the land public property, it would not matter a row of beans if site-values in, say, the centre of Southampton were halved, and the value of land rose somewhere else on account of the loosening of building in the old urban centre and the transfer of trade and population elsewhere. Unified public ownership of land is an indispensable foundation for successful town and country planning, and until we get it all plans for a new Britain are bound to remain in the air.¹

Nor is that all. Successful planning involves the power to locate industry, as well as to build houses and town-halls and so on. A town is not merely a place to live in, but also a centre of productive activity; and it is impossible to plan a real town if it is quite uncertain what, if any, industrialists will agree to settle in it, or in its vicinity. I do not mean that it is requisite to know in advance about every factory, what is to be made in it, and how many workers it is designed to employ. But the planners must know in advance what the main industrial structure is to be, what large establishments are to be set up and for what purposes and on what scale, and, in general, what are to be the facilities afforded, on Trading Estates or otherwise, for the establishment of smaller factories and other places of employment.

If most of the basic industries are in the State's hands, and the State is also the provider of Trading Estates and the principal influence in determining the flow of investment, these conditions can be satisfied, without any extension of socialisation over the entire field of production. Small establishments can come and go, as the currents of public demand change and as projectors succeed or fail in their experiments, without upsetting the town's general economy—provided only that the general level of industrial activity is held high in pursuance of a policy of plenty and 'full employment'. This, of course, will not prevent a town from de-

¹ This book was finished before the issue of the Scott and Uthwatt Reports.

caying when it proves unsuitable as a site for productive enterprises, or where changes in demand knock away the basis of its economic life. But such instances should be few; for most places are adaptable to changing industrial development if anyone takes the trouble to adapt them. And, when they do occur, it will be the State's business, through its appropriate economic organs, to arrange for an orderly transfer of population and salvable equipment to some more productive site.

With proper planning—and proper power to plan—there need be no 'distressed areas' in post-war Britain. Mines will still get worked out; sites once economic for, say, iron or steel production will become uneconomic; ports will rise and decay; and perhaps men's tastes will change as between living in one place and another. In face of these changes, unified control of the powers required for development will make it possible to cope with these problems of transition in a sensible, orderly fashion, and to avoid the human disasters which they have hitherto carried with them. The steady pursuit of 'full employment' provides the key to successful planning, not for a static industrial system, but for continuous evolution in accordance with changing human needs; and orderly planning is no less essential to the successful achievement of 'full employment'.

It is, of course, true that no one country can contract out of the effects of the rest of the world's ups and downs. If one country tries to follow a policy of 'full employment' while other countries with which it has important trade connections allow themselves to remain subject to all the fluctuations which have beset capitalism in the past, their adversities will necessarily react upon its well-being. If a country drives a large, specialised export trade, a falling off in the markets for its exports is bound to cause unemployment, however well its plans may have been laid. But the country which is working under a controlled economic plan will be in a far better position than a capitalist country for mitigating this unemployment by transferring surplus resources to other forms of production which it can consume at home or exchange with other countries whose policy is as its own, or by increasing temporarily its own consumption of the kinds of goods that can no longer be advantageously exchanged. This will not be possible without some economic loss; but the loss will be very much smaller than it would be if the displaced producers were merely left unemployed.

Let us not, however, make the mistake of under-estimating the importance even of this mitigated loss, especially to a country as dependent as Great Britain on imports which cannot be replaced by home products. A planned economy—planned for expansion

and plenty—cannot work with full success except as a member of a society of planned economies, and a participant with them in a common international plan. Socialism in one country is not impracticable, as the Russians have conclusively shown; but Socialism even in a country as near self-sufficiency as the Soviet Union cannot yield advantages comparable with those which are obtainable by Socialist international co-operation. In a country such as Great Britain, the limitations upon a purely national Socialism are very great. Under Socialism, as much as under capitalism, Great Britain will need the world for market as well as for source of indispensable supplies.

CHAPTER VII

PLANNING AND GOVERNMENT

WHAT WAS said in the last chapter about town and country planning had to do with the *economic* prerequisites for the rebuilding of Britain. But there are political prerequisites in addition; for the existing structure of government, local as well as national, is quite unsuited to the needs of the new social order for which we are proposing to build.

Let us begin with the problems of local, including regional, administration. At present, control is divided between the elected Councils of large towns (County Boroughs), which are responsible for all local services within their municipal boundaries; County Councils, which divide up the rest of the country, but have no authority at all within the County Boroughs, and have to share functions and powers elsewhere with Councils elected over smaller areas; ordinary Borough Councils and Urban District Councils, which are responsible for some but not all of the local services of towns below County Borough status; Rural District Councils, which administer certain services over groups of villages, and are in some, but not all, respects subject to the County Councils; and Parish Councils and Parish Meetings, which have limited independent powers over the local affairs of particular villages. Finally, some, but by no means all, of these bodies are joined together in Joint Boards or federations either for the joint management of a particular service, such as water supply, or for purposes which are mainly advisory, such as regional planning of a rather nebulous kind.

Unfortunately, these areas of local government have but a very limited correspondence to the real areas of British community life. It constantly happens that, as towns grow, suburbs are built right

outside their municipal boundaries, or old independent towns and villages become engulfed in them for all practical purposes, except that of municipal government. Sometimes, in the long run, these developments lead to extensions of the municipal boundaries; but in many cases extensions are stoutly resisted, either by towns or urban districts which are unwilling to lose their independence in local government, even if they have ceased to be separate communities, or by County Councils, which fear the loss of valuable rateable areas to the independent County Boroughs. These forces of opposition are often abetted by the fears of ratepayers that inclusion in a large urban area with developed social services may cause their rates to rise, whereas if they remain outside the municipal area they will be able to use such of its services as they want free of charge. On the other hand, when the boundaries of big towns are extended, the effect often is to leave the Rural District Councils with impossible residues of territory, sometimes cut up into little isolated patches in between the ribbon developments of the town.

Half-hearted attempts were made in the 'thirties to tidy up some of the lesser muddles—by re-shaping and amalgamating Rural Districts, abolishing some very small Urban Districts, allowing some of the less controversial town extensions, and making minor readjustments of county boundaries. But no attempt was made even to touch the major problems, which aroused acute local controversies and promised more kicks than ha'pence to any statesman or party that might attempt to deal with them. Manchester and Salford, Newcastle and Gateshead, London and the ring of boroughs all round it, remained under entirely separate administrations, though they had long ceased to be in any real sense separate towns. The larger cities were governed entirely apart from the areas, urban or rural, which surrounded them, and to which they served as centres of what the geographers call 'circulation'—that is, as *rendezvous* for much of the business and recreation of living.

We have seen already how impossible this made any effective planning of the development of urban life. Cities responsible for housing their growing populations and clearing their slums were almost irresistibly impelled to build round their edges, thus adding anti-socially to the size of the continuous built-up area and, in due course, usually putting in a claim—which might or might not succeed—for the inclusion of the new suburbs within the municipal frontiers. No one was in a position to plan a new, or even a 'satellite', town, at some distance, instead of adding on to the existing agglomeration of buildings. Suburbanism ran riot, and largely took the form of segregated suburbs for families of different

classes or levels of income. The whole thing was a social disaster—and a disgrace.

This was the situation before the war; but war conditions have made it much worse. The basis of local finance—the rating of property not specially exempted by law—has been for a long time past unsatisfactory and insecure. Tolerable, despite its unfairness (for the value of the property occupied bears no constant relation either to ability to pay or to services received), as long as the total of local government expenditure was small, rates have become increasingly unpopular and unsatisfactory as more services have been cast upon the local authorities, either by law or by the sheer necessities of urban development. Now, as a result of war conditions, some areas have undergone extensive physical destruction and others (or the same) have suffered large losses of rateable value through evacuation; and this has happened with no decrease in immediate financial burdens, and with a great increase in prospect, when the time comes for the rebuilding and refashioning of the damaged cities after the war. The Government is bearing, by way of emergency grants, a part of the deficits in which local authorities are involved because of the war; but the balance is having to be covered by loans, and when the authorities ask the Government who is expected to pay for the plans for post-war reconstruction which they are being invited to prepare, there is still no answer.

It is entirely out of the question to go back after the war to the pre-war system of local finance, or to finance any tolerable programme of urban reconstruction out of local rates. Either the Government will have to bear nearly all the cost, expecting little more than a token contribution from local sources, or a new basis for local finances will have to be found. But the assumption of almost complete responsibility for finance by the Central Government would be inconsistent with any real local autonomy; and, if the alternative solution is aimed at, it is not easy to devise a substitute for the rating system.

Side by side with these financial problems, there is the difficult problem of areas. The existing areas of local government are inconvenient enough for purposes of day-to-day administration: they are altogether impossible for purposes of post-war planning. Planning, to be effective, must be done on a regional rather than a local basis. It must cover the right relations between town and countryside, and the right placing of towns and industries over wide regions. The counties, as they are, will not do, both because they are of all shapes and sizes and towns near their edges may be much more closely related to areas in other counties than to the counties in which they are situate; and partly because admin-

istrative counties are mere residues, with the County Boroughs carved out of them. For planning, there are plainly needed regional authorities covering larger areas than are at present under the control of any single local authority.

It is tempting, in these circumstances, to play with the notion of using the Defence Regions, which have been created primarily for the decentralisation of national services in view of possible invasion, as areas for the constitution of elected Regional Councils after the war. But this will not do. Local or regional government, in order to work democratically, must be organised over areas which either possess, or can readily develop, a sense of community, and its units must be of such shapes and sizes that persons can travel easily from all parts of them to a common administrative centre. By both these criteria, the Defence Regions, or most of them, are too large—certainly for administrative purposes, and probably for planning as well.

It may, however, well be that two types of unit are needed—one for major purposes of regional planning, and another for more detailed administration. The second, and smaller, of these types of area must be large enough to satisfy the following conditions: (1) it must embrace the whole of a town, or cluster of towns actually forming part of a single urban agglomeration; (2) it must embrace a large enough area round the built-up district to include a reasonable amount of 'country', and to make possible the building of satellite towns and urban settlements beyond a 'green belt' girdling the central city; and (3) it must, wherever possible, correspond with the actual area of 'circulation'—that is, with the area from which people regularly travel in to the urban centre for shopping or pleasure or employment, or out of it for sleeping or walking or getting a taste of the nearby country. It will not always be possible to satisfy all these conditions, especially where, as in Lancashire and the West Riding of Yorkshire, town has run into town in an almost endless series of 'conurbations'; and, as always, Greater London presents a special problem. But in most parts of the country all three criteria can be applied; and, even where they cannot be applied fully, they will usually furnish a clue to the best arrangement practicable in face of the mishapen developments of the past.

The basis for a satisfactory system of local administration would be fairly well assured if most of Great Britain were divided up into administrative Regions of this character—of course, with variations to meet the needs of the more sparsely populated rural counties. There would remain the problem of devising suitable areas for the wider purposes of planning and for the direct administration of a few services which require unification over larger dis-

tracts. For this purpose the administrative Regions would need to be grouped into larger units, which might in some cases coincide with the war-time Defence Regions, but should generally be smaller, in order to secure a more real basis for local representation and easier conditions of travel to the chosen centre. I do not propose, in this book, to attempt a definition of these wider Planning Regions, or Provinces, as we may call them in order to distinguish them from the smaller administrative Regions. The drawing up of a scheme for the creation of British 'Provinces' is not a matter for a few sentences, but for a careful study of the geographical, economic and social factors involved in each particular case; and I have no space for such a study in this volume. The general notion, I hope, is plain—for general purposes of administration Regions large enough to embrace whole urban communities with their surrounding satellites and rural hinterlands; and for major planning groups of these Regions, possibly placed in direct charge of a few services which call for specially wide areas of administration. For both types of area I of course contemplate the creation of elected Councils; for democratic local government I regard as an indispensable condition of effective democracy in national affairs.

This dual arrangement would mean that plans drawn up by the Provincial Authority would in general be handed over for actual execution to the authorities of the Regions, and that the Provincial Authority, when the initial plans had been approved, would probably not need to meet at very frequent intervals. It might, indeed, be best for it to take the form of a joint meeting of all the members of the Regional Councils, from whose members could be appointed special committees or commissions to take charge of the various aspects of its work. This would avoid the difficulty of two separate sets of elections, and the alternative difficulty which arises out of the unwillingness of elected bodies to delegate authority to joint boards or committees. It would also have the advantage of giving the Provincial Councils something of the character of provincial Parliaments, debating broad issues of policy within the wider general policies laid down by the national Government.

There remains, however, the tangled problem of finance. One way of solving this, at least in part, would be to hand over the ownership of land to the Provincial Councils, free of all charges for compensation to the past owners—these charges being assumed by the State nationally. The rents thus accruing could then be used, after making direct payment for 'provincial' services, to make grants to the constituent Regions; and it would also be practicable to give the Provinces power to levy a pro-

vincial income tax, supplementary to that levied by the central Government. Local rates, if they survived at all, would then have to bear only a small proportion of the total expenses of local government; and their yield could be applied to purely local purposes.

Elsewhere, in writing of the future of local government,¹ I have stressed the importance of maintaining, within the administrative Regions, smaller units of local self-government, for the direct control of those services which are best managed on a basis of 'neighbourhood', and do not call for unified management over wide areas. I hold strongly by this view; but I do not propose to develop it here, as it belongs rather to a consideration of the essentials of real democratic fellowship than to a discussion of the requirements of post-war planning and reconstruction.

It needs, however, to be emphasised that good local government is not only a matter of getting the areas of administration, the allocation of powers, and the financial arrangements right, but to at any rate an equal extent of getting the right persons into the positions of authority. The replanning of Britain will call for high qualities of forcefulness and imagination in both the elected representatives of the people and the officials and experts through whom democratically determined policies are to be carried into effect. British local government is at present weak in these respects. Local Councillors are in too many cases not the persons best able to do the job, but those who have either some axe to grind, or too little else to do. Municipal Councils, especially in the smaller towns, are apt to be too much dominated by tradesmen, and County Councils by farmers and landlords; and all types of local authority are apt to include too high a proportion of the leisured and the retired. It is in many cases difficult for the men and women who could serve the community best to stand for election, because they would not be able to attend regularly if they were elected, or because their employers would even put obstacles in the way of their offering themselves as candidates, especially on the progressive side. Clearly, in order to get the right Councillors, payment ought to be made to cover loss of earnings as well as travelling expenses, and it ought to be made a legal obligation on employers to put no obstacles in the way of employees contesting elections or attending to their duties if they are elected. But the chief thing that is needed is to make the right men and women believe that local government is worth bothering about; and that it plainly will be during the critical years of reconstruction.

The personnel of the salaried local government service needs

¹ In *The Political Quarterly*, October 1941.

improvement no less than that of the elected Councils. With the growth of State planning and public operation of industries and services, the lines of demarcation between public and private employment will be altered, and the service of local government will not need to be, as much as it has been hitherto, a service for life. There will be easier interchange between local government posts and posts in publicly operated or controlled industries and services; and, with the development of planning—national, regional and local—there will cease to be a sharp division between the employees of local and central government. Men and women will be able to pass freely from serving the State to serving a regional or provincial authority, and *vice versa*; and both branches of the public service will gain by the change. It is highly desirable that civil servants should have some direct experience of the services they administer, and local government officials some experience of central administration.¹

Central, no less than local, government will need drastic reshaping with a view to the new functions which it will be called upon to discharge. The creation of Provincial Councils will, I hope, alter the relations between the Member of Parliament and his constituents; for I hold that each M.P., if Parliament survives, should be also *ex officio* a member of the Provincial Council covering the area in which his constituency lies, and should regard himself as representing his Province, as well as his own constituency. It should be one of the M.P.'s duties to act as a go-between in the relations between the planning agencies of the central Government and the Regional and Provincial bodies, and to combat both bureaucratic tendencies at the centre and parochialism in the localities.

Legislation, I hope and expect, will, under the new order, substantially change its character, so as to take up much less of the time of Parliament, or of any legislative body that may take its place. The existing practice of debating enormously long bills clause by clause in a large assembly is not democracy, but a parody of it. Bills ought to be drafted by small expert committees, aided by expert draftsmen, and reviewed by small bodies of interested public representatives, and thus knocked into shape. The function of the full House of Commons in relation to them (I am, of course, assuming the abolition of the House of Lords, even if a House of Commons survives) should be twofold—to approve general principles of action, leaving the details to be filled in by smaller and more competent bodies; and to decide upon issues upon which these smaller bodies cannot reach substantial agreement.

¹ On this issue, see my article in *Public Administration*, January to June 1942.

This change of procedure will be forced upon any legislative authority which sets its hand to a thorough-going reorganisation of the economic and social system. At present, in order to pass any considerable amount of legislation, Parliament must either scamp its job by continually closing down debate, or pass its Bills in a form in which the real power of shaping their practical consequences is handed over to the Civil Service by giving it power to draft regulations. Both these methods are thoroughly undemocratic; and unless a better way is found the position will become quite intolerable when, after the war, the State takes on many additional functions and the mass of legislation has to be greatly increased, at any rate for a time. The right course is to establish, outside the legislative assembly, a series of commissions for the drafting and review of proposed legislation. A Government wishing to legislate on a particular subject should in the first instance introduce and pass rapidly into law an enabling Bill, clearly laying down the general substance of what is wanted and referring to a special commission—either standing or *ad hoc*—the working out of the details. The detailed measures thus drafted should then go to a conference representing the *public* bodies chiefly concerned—for example, Regional or Provincial Councils or the bodies responsible for the conduct of socialised industries and services, or the recognised institutions in charge of education, or public health, or whatever the subject-matter of the Bill may be. This conference should have power to re-draft the measure; and the Government could then either accept the re-draft, or carry its own alternative proposals, based on the special commission's report, to the legislature for final decision. Of course, the procedure of both the commission and the conference would be governed by the principles laid down in the original enabling Act. Their job would be to fill in the details, and not to act as an alternative source of major policies.

This should be the procedure for major Government Bills. Private members' Bills and local legislation could follow a somewhat different route, but on the same general lines, with a standing extra-parliamentary commission for the review of proposals for local legislation, and a reference of private members' Bills, after second reading, to a conference which would either pass them on to a drafting commission, subject to such amendments as it might make, or reject them outright. I am not attempting more than an outline sketch of what I have in mind; for my purpose in this short book is only to put forward broad proposals, deferring their detailed working out to another occasion.

It will be seen that I am assuming that post-war Britain will continue to be governed by a popularly elected legislature on the

model, more or less, of the existing Parliament and, in local affairs, by popularly elected Councils. I can indeed imagine a situation in which British parliamentary institutions would collapse and a new system of government would have to be improvised, perhaps much more on a Soviet than on a parliamentary model. I am no dogmatist on this point: nor do I believe the British parliamentary system to be so delectable an instrument that the human will can never hope to devise a better. But I do believe that parliamentarism is very deep in the traditions of the British people—deeper far than capitalism, for example; and I do expect the parliamentary system to survive the war and be used as the instrument of reconstruction—unless by the time the war ends Great Britain has undergone so thorough a dissolution of all its institutions as to make most of what I have put forward in this book irrelevant and out-of-date. I have said earlier that I am writing at present on the assumption that this will not happen. If it does happen, not only this chapter, but this book as a whole will have to be scrapped.

I cannot, however, leave the matter just like that, without any attempt to blow upon a fallacy which has sadly vitiated much of our political thinking—especially about the Soviet Union. There is a persistent tendency in Great Britain to identify democracy with parliamentary government. Historically and actually, this identification seems to me to be mistaken. Parliamentary government has been in the past mainly an instrument of aristocracy. Gradually, over the past century, there has been grafted on to it a popular franchise, which has altered its character by compelling those who aspire to be Members of Parliament to cultivate the suffrages of the many. But, even apart from the retention of the House of Lords as an exclusively aristocratic assembly, the House of Commons preserves many of the characteristics of oligarchy, rather than democracy. A poor man cannot at all easily become an M.P. unless he has a powerful organisation behind him; and such organisations, even if their members are poor men, take on something of an oligarchical character in the personalities of their official class. Trade Union and Co-operative officials have inevitably much more in common in ways of living with the middle class, to whose standards and habits they become assimilated, than with the masses they represent.

Fundamentally, the Soviet system is much more democratic than any parliamentary system I know of. It rests on a basis of election by primary groups which are in a much better position to choose persons really to represent them than the heterogeneous body of electors which, in a parliamentary constituency, has usually only the choice between candidates offered to it by two

or three big, centrally organised political parties. I know there is, in this country, a strong prejudice against the indirect election of which the Soviet system makes use for choosing the members of the highest Soviets in its hierarchy. But I am unable to see any logical basis for this prejudice, or to agree that there is anything undemocratic about indirect election. There is, I agree, something undemocratic about elections which are not 'free', because they are rigged in one way or another by party. But I cannot agree that a one-party system is necessarily less democratic than a two-, or three-, or many-party system, without knowing something about the internal democracy, or lack of it, in the party or parties concerned. A one-party system, based on a party having a high degree of internal democracy, may be in practice a good deal more democratic than a system based on a plurality of parties which are themselves undemocratic in their internal working.

British 'democrats' often denounce the Soviet Union as undemocratic because it suppresses the expression of certain opinions regarded as hostile to the fundamental basis of Soviet institutions. This, I agree, is an undemocratic feature of the present working of the Russian system—largely forced on the Soviet Union, I believe, by the perils which have beset it continually since its inception. But the existence of undemocratic elements in the Soviet Union does not mean that it is not, fundamentally, a democracy. Do those who take this line deny the existence of utterly undemocratic elements in the constitutions and practices of what they call the 'Western democracies'? If they do, they are talking nonsense.

After all, what is the essence of democracy? As I see the matter, a country is democratically ordered if in it the ordinary citizens, men and women together, share rights and responsibilities on as equal terms as possible, and have the fullest possible opportunity to serve one another and to occupy such positions of trust and importance as their capacities and their will to serve make them fit for. These conditions are inconsistent with the existence of any *privileged* classes, based either on birth or wealth or on anything else that has nothing to do with personal quality or character. They are not inconsistent with quite wide differences in authority, or even in income, dependent on the quality of one man's service as compared with another's. The essence of democracy is living together in a community so organised as to give everyone the best possible chance of using his capacities in the common interest, and the best possible chance of finding happiness in this spirit of service.

I believe the magnificent resilience of the Soviet peoples under the terrific onslaught which they have had to bear is due, more

than to anything else, to the lively presence among them of this democratic spirit. I become impatient with those who, blind to the beams in the eye of Western 'democracy', denounce the Soviet system merely because it does not conform to their Western political ideas. They fail to see the spirit of democracy which informs the Soviet peoples, because they have somehow got it into their heads that the essence of democracy is a parliamentary election conducted under conditions of conflict between political parties of the traditional Western type.

I say, against this view, that a people is democratic when it feels that it owns its country and that the responsibility for making its affairs go well or ill rests upon itself—upon all the citizens, and not upon a privileged few. What we in Great Britain can learn from the Soviet system is not that we ought slavishly to imitate it—for our traditions are different, and so is the whole economic and social structure upon which we have to act—but that we need to find ways and means of giving to our own people as keen a sense as exists in Russia that the mass is making its own history and deciding its own fate. I believe that for this we need forms of democracy much more simple than those of the parliamentary machine, or even of the machinery of local government as it is organised to-day. Our political system ought, if we want it to become truly democratic, to be made to rest directly on real neighbourhood groups, in which the whole people could meet to discuss public affairs and to manage directly the small affairs of their own immediate neighbourhood. I believe each group of streets and each village should have its regular citizens' meeting, to which every delegate or representative chosen for any public purpose should have regularly to present an account of his doings. I believe we ought to manage our own streets or villages because, unless we learn to be self-governing in little things, we shall never achieve self-government in great ones.

No country is or ever will be a perfect democracy, but it ill behoves us, from our parliamentary glasshouse, to throw bricks at the Soviet Union, merely because its elements of 'undemocracy' happen to be different from ours. We shall get much nearer understanding the Soviet system if we begin looking for its virtues rather than fastening exclusively on its faults.

CHAPTER VIII

INCENTIVES AND LEADERSHIP

THE MOST familiar of all objections to Socialism used to be, first, that it would destroy the incentives necessary to production, and secondly, that it would make the accumulation of capital impossible on a sufficient scale. Public employees, it used to be said, would limit their activities to a 'corporation stroke'; men of push and go would cease to drive the wheels of industry if they could not drive them for their own profit; no one would save, unless he could see the prospect of profiting by his abstinence; and the Socialist community would proceed to eat away at a diminishing cake, until poverty drove it to resume its senses, and return to the good, old, capitalist ways. Impatiently, the holders of these opinions awaited for more than twenty years the dissolution of the Soviet Union, hailing each setback which it encountered as the herald of impending collapse with no less jubilation than some Socialists have hailed every cyclical depression as the "final crisis" of capitalism.

But the Soviet system did not collapse. Despite setbacks, it went on from strength to strength. This had to be explained; and its detractors found their explanation by accusing it of being untrue to its own principles. They pointed out with glee that the Russian system could not be Socialism after all, because it did not pay the same wages to the ordinary workman and to the technician at the head of the works, and because it was actually offering the incentive of high piecework payments in return for increased output. As for the indisputable fact that the Soviet Union, so far from living on its cake, was actually accumulating capital at a rate unprecedented in any capitalist country, that was explained by asserting that the tyrannical rulers were tearing the food and the consumers' goods from the people's grasp in order to consolidate their own power.

The fact remained that the confident prophecies about the effects of Socialism on the volume of output and savings, so far from coming true, were being plainly disproved by the experience of the Soviet Union. In a somewhat similar situation, a civil defence authority in Great Britain, near the beginning of the war, explained to someone who had, with unfortunate results, obeyed the order to pick up a fire-bomb with a shovel, that "it was the wrong kind of bomb". The Russians, it appeared, had adopted the wrong kind of Socialism—a kind that had the effrontery to work.

There were, it must be admitted, a largish number of Socialists

who were disposed to echo these sentiments, and to accuse the Russians of behaving unsocialistically when they paid fairly high salaries to technical experts and rewarded Stakhanovites with high earnings for increases in output. No doubt, the Soviet leaders would themselves have preferred not to do these things if they could have got the same results without them. It would be nice and easy to establish Utopia in a country where everyone was prepared to go on working continuously at full stretch for as long as he was needed without asking for any exceptional reward. But the problem that faced the Russian leaders was that of making Socialism work among human beings—and pretty primitive human beings at that—and not among archangels; and they had the good sense to frame their policy accordingly.

This did not make their measures less socialistic, though it did make them less communistic, in the old sense of the word. The task facing the Russian leaders was to get on its feet as speedily as possible a system of production based, for all the major industries and services, on the principle of common ownership and control. In agriculture they had to apply this principle in a special way, making the land public property, but delegating its cultivation for the most part to co-operatives, in which the principle of regulated collective profit replaced that of individual profit; and they applied a not dissimilar method to the small-scale industrial crafts. But in all the major industries they did proceed to abolish production for profit, and to substitute for it production for the use of the people.

Now, why did the Russians see nothing anti-social, or anti-socialist, in allowing the continuance of profit-making, in modified forms, both in agriculture and in small-scale craft industry? Because in both these cases the profit was derived mainly from a man's own labour, or from the labour of a co-operating group, and not from exploiting the labour of others. Profit, in this form, is merely a variant on a piecework wage, and no more objectionable. It is profit in the form in which it appears first, in primitive, pre-capitalist society, and not in the perverted form which it assumes under capitalism.

Very well. The Russians were determined to make war, not on profit as such, but on the profit derived from exploiting other men's labour. Nor were they out to make war on interest as such—for the Soviet Government has continued to borrow money at interest, which it has punctually paid—but only on interest derived from similar exploitation. There may arise, some day, a state of society in which neither profit nor interest in any form will survive—a state of complete communism in which the slogan "From each according to his abilities: to each according to his

needs" will operate in unqualified perfection. But assuredly the day of such a society is not yet—if ever.

But, if men will not, being what they are, give continuously of their best without financial incentives, what is wrong with capitalism, which is surely the system best designed for appealing to these incentives? That line of argument reminds me of one employed by Lord Quickswood a good many years ago in opposing a Licensing Bill designed to reduce the number of public-houses. He argued that, as men only become good by resisting temptation, the more public-houses the better, in order to give them more temptations to resist. It is no more absurd to argue that, because men cannot in the mass be got to work their hardest without financial incentives, we should therefore build our economic system on offering the strongest financial incentives that can be devised, without regard to any undesirable consequences that may ensue. The correct conclusion surely is that society should offer just such incentives as it needs to offer, in order to get the production which it thinks reasonable, and no more. And that is precisely what the Russians have set out to do.

But let us not assume too hastily that capitalism does offer the strongest possible financial incentives to high production; for in fact it does not. In these days of monopoly, high production and high profit are by no means at one; and the profit incentive is often linked not to high production, but to deliberate restriction of output and capacity. Nor, even where piecework is in operation, are high wages and high output necessarily conjoined; for it often pays workmen to limit their output, for fear of piecework prices being cut. As for the investor, the high profits which accrue to him if he is lucky provide no incentive to higher production: they are much more often the consequence of successful speculation on the stock exchange, or mere windfalls for which he can claim no merit. Capitalism offers very high incentives to a few; but they are mostly incentives, not to production, but to the successful practice of restrictive monopoly or unproductive speculation.

Let us agree that it is desirable to preserve and to develop those incentives which do make for higher production, provided that we can prevent them from acting in other respects so anti-socially as more than to cancel the advantage of the larger output. What follows? We must adopt piecework payments wherever the higher output resulting from them does not lead to an undue scamping or spoiling of work, and where they can be assessed with tolerable fairness in relation to the expenditure of skill or effort. We may reasonably prefer, where circumstances allow, to put such payments on a group basis, in order to encourage a team-

spirit in production ; but that must depend both on the nature of the process and on the attitude of the workers engaged upon it. In respect of the technical and supervisory personnel of industry, piecework methods are usually not applicable, except in the form of output bonuses on the production of a shop or works. These can legitimately be used where they are needed ; but in general the best form of financial inducement for technicians and supervisors is to be found in the prospect of promotion to a more responsible job, carrying a higher salary. It is indispensable, both for the successful working of this incentive and for general efficiency, that promotion should go by merit and not by seniority, and that there should be much freedom of movement from job to job—including movement downwards for the inefficient, as well as upwards for those who prove their mettle. The secure job for life, irrespective of efficiency, is by no means an ideal to be cultivated by Socialists. It is the wrong sort of security, and one which is much too widely prevalent in the society of to-day.

But, if society cannot afford to dispense with financial incentives to production, neither can it afford to put its chief reliance on them. It is possible, under capitalism, for an employer—or a workman—to labour, not for what he expects to get out of it, but from other motives—for the glory of God, for the satisfaction of doing a job well, or for the service of his fellow-men. But the world is for the most part not so organised as to favour these motives, or to make it easy for men to follow their guidance. If many men do give good service, not because it 'pays', but because they have a conscience about it, that is to the credit of humanity, but not of an economic system which is as likely to penalise them as to reward. Yet surely these are the motives in men which society ought by all means to foster, and on the strengthening of which the well-being of the people most depends.

A predominantly Socialist society is well placed for fostering these social impulses. Where things are to be produced, not for reasons of profit, but because they are needed, higher production is manifestly a form of social service, whereas under the profit system the service is at best a by-product. A planned economy, planned for social well-being, can evidently make an appeal to all those who work in it which a capitalist society is unable to make. It is sometimes argued that the sense of ownership is essential to the satisfaction of men's productive impulses. If it is, the Russians have taught us that this sense can be satisfied by collective as well as by individual ownership. It is as much beyond doubt that the citizens of the Soviet Union have worked better for the knowledge that the instruments of production and the goods

made with them are their own, as that the Russian armies have fought infinitely better in this war than in the last because on this occasion they have felt themselves to be defending their very own country.

The growing divorce in capitalist society between the incentive of profit and the incentive to produce more makes it an urgent matter to find some motive power other than profit-making to drive the wheels of large-scale industry. This motive need not be simple. Just as the profit-motive itself is a blend of the desire for money and the desire for tokens of successful activity and power, so the new incentive will be a blend of the desire to serve, the sense of collective ownership and responsibility, the joy that comes of doing a thing well, and the wish to get on to a higher level of status and social recognition. The successful manager of a Socialist enterprise will not be a selfless paragon. He will be a man the more disposed to do the right thing by society because society is likely to reward and advance him for doing it. This does not mean that he will be simply selfish. A well-organised society is one in which it is easier and more advantageous to behave well than ill.

In modern large-scale industry, one set of persons owns, another works under orders, and yet another manages. Only in small businesses do ownership and management still, to any considerable extent, rest in the same hands: in large family businesses, though members of the owning family may play an active part in the management, most of the managerial staff are salaried employees. Their remuneration may or may not depend partly on the year-by-year success of the business in making profits: even if it does, they live mainly on salaries. Management is a growingly important profession, or rather a whole group of professions, each with its own specialised kind of training. There are indeed very many managers who have never been trained for their jobs; but to a growing extent the younger men come into the profession armed with the fruits of a technical or commercial training acquired at a technical college, or a polytechnic, or in one of the commercial departments of a university.

To a substantial extent, the growth of these kinds of training has narrowed the prospects of promotion for those who enter industry as manual or ordinary clerical workers. Despite evening classes, it is not easy for a boy who has left school at fourteen to work his way up to an important administrative position. That is partly why able men who find the road blocked so often drift away from large-scale industry into small businesses where they can hope to be their own masters—garages, electrical and wireless shops, even any branch of the distributive trades. What else are

they do, if they are not content to remain manual workers or clerks for the rest of their lives, now that the untrained man, in a professional sense, is no longer in favour with big business? Of course, promotions from the ranks do occur; but the chance of getting promoted comes to look smaller and smaller.

This tendency is quite unavoidable under the existing conditions. The expanding industries are for the most part technically difficult for the man who aspires to managerial status without having passed through a recognised training; and the commercial and advertising sides also develop more and more their own specialised techniques. The numbers of technical and managerial workers expand very much faster than the numbers of manual workers engaged in direct production; but this does not mean easier promotion for the individual. It does mean that the managerial grades are steadily recruited from among the children of manual workers; but this is a very different thing.

Altogether too little attention is paid to the effects of these changes on the class-structure of industry. The managerial grades, including the lower ranges, tend to become more differentiated in social habit and outlook from the main body of manual workers.

The difference is not chiefly that they speak with different accents, or wear different clothes, or even that they live in different types of houses, and in some cases in different suburbs built to suit persons of a particular kind and range of incomes. Indeed, in all these respects there has been in recent years a certain tendency towards assimilation between the better-paid manual workers and the lower ranges of 'management'. The crucial difference is rather that they adopt, consciously or unconsciously, a social attitude and an attitude to business which shut them off from close communication with the main body of the manual workers. Almost untouched, save in a very few occupations, by Trade Unionism, they remain strong individualists in their social outlook. They have no standard rates of pay, and no certain status to which they feel themselves to be permanently attached. Their fortunes, unlike those of most manual workers, are bound up with prospects of personal promotion; and their best chance of achieving a higher status seems usually to lie in making themselves well thought of by their immediate superiors in the industrial hierarchy.

The effect of this difference of attitude between the managerial grades and the manual workers is apt to be not so much a worsening as a disappearance of human relations.

The old-style manager promoted from the ranks was often a nigger-driver, and often on very bad terms with the men. He had

commonly no use for the eight-hours' day, or for rest pauses, or for any of the things that go collectively by the name of 'welfare'. He did not mince his words, and quite often he did not resent being answered back in kind. The new-style manager, on the other hand, at any rate if he is near the top of the tree, is quite likely to be concerned about 'welfare', and to have notions about organising the works so as to elicit the 'team-spirit'. But he is a remote figure, in respect of personal contacts; and even the 'welfare manager', where there is one, seldom knows the individual workers as the old-style owner-manager often knew them. There are, of course, exceptions; but, broadly, the generalisation holds.

It is, however, in the lower ranks of management that the cessation of human relations with the manual workers is apt to be most complete. This results partly from specialisation, and partly from deliberate policy of the management as a whole, but mainly from the changing methods of recruitment and ways of living. There is not necessarily ill-feeling between the 'black-coats' and the ordinary workers: much oftener there is simply no feeling at all.

Politically, the implications of the new regime have often been commented upon. It has been said that every holder of a petty diploma or technical qualification is a potential Fascist, who may become, in defence of his slightly privileged status, a violent enemy of democracy, especially in times of economic depression. But there has been much less comment on the consequence of the changing social structure in industry itself. Fully as much as the growing mechanisation of productive processes, it tends to de-humanise the atmosphere of the factory, so that, where the want is felt—often it is not felt at all—various artificial expedients have to be resorted to in the hope of bringing back the human spirit.

It might be supposed that the group of highly skilled workers, holding an intermediate position between the lower grades of management and the general body of manual workers, would do something to maintain human contacts. In fact, this seems to be very little the case. The highly skilled manual worker in a mass-production factory tends to become cut off from the less skilled routine workers as well as from the managerial groups, so as to form the nucleus of yet another distinct social grade. Social stratification throughout the industrial system becomes even more complicated as the technicality of production advances.

The moral to be drawn from these facts of modern industrialism depends upon fundamental political and social outlooks. For those who dislike democracy there is no problem; for the tendency furthers their hopes, and stands powerfully in the way of any con-

certed effort by those who are indispensable to production to bring the control of it into their own hands. It helps to prevent the spread of Socialism, by holding the workers 'by hand and brain' apart in separate groups, which can co-operate neither politically nor in matters of economic policy. For democrats, on the other hand, the problem is serious; for the successful working of democracy involves the existence of a strong community of sentiment, and sentiment of community, reaching across the barriers of difference of productive status and function. No real democrat can see without dismay the tendency towards segregation of social attitudes between manual and managerial grades—a tendency which grows stronger in despite of assimilation in ways of living outside the factory.

This segregation is, to a large extent, a by-product of capitalism. It is of great importance for the upholders of the profit system to keep the managerial grades, lower as well as higher, from coalescing either politically or economically with the manual workers. As long as capitalism can represent itself as a 'going concern' this is fairly easy; for the main body of managerial workers will tend to ally itself with the classes on which the prospects of advancement for its individual components chiefly depend. But an altogether different situation would arise if it were to become plain that the profit-makers could no longer offer a reasonable prospect of advancement, and that, over a large part of the field of economic enterprise, the future lay rather with public than with private capitalist employment. This would not, of itself, bring the managerial grades over into alliance with the manual workers; but it would provide an opportunity of which the Trade Union leaders and the Labour Party could readily take advantage, if they showed a wide enough vision and a ready enough adaptability.

Already, under the various 'Controls' and Government agencies created under war conditions a good many men who have hitherto worked as the salaried servants of profit-making business are learning to work as public servants. This may not immediately have much effect on their attitude to the manual workers, or to Trade Unionism—especially if the Trade Unions fail to take advantage of the opportunity which the new situation presents, and to throw themselves wholeheartedly into the effort to create a new relationship. But many Trade Unionists are, in fact, now occupying public positions of trust, in close association with the erstwhile managers of capitalist business. It should be possible by the collaboration of these two groups to go far towards the development of a common attitude of public service, and to carry along with those who are actually working together in this

way a large body of their colleagues, both among manual workers and in the managerial grades. This should be the more possible, because it is plain that in many industries—the constructional industries especially—a continuance of public enterprise will be unavoidably necessary for a considerable time after the war. There must be a host of managerial workers who are already very doubtful whether they will ever return to their pre-war jobs as servants of capitalist business. These men are not merely potential converts to Socialism, but also potential leaders of a much greater body of managerial opinion that is open to conviction to a broadly Socialist attitude.

Whether or not this conversion will occur depends largely on the Trade Unions. If they—leaders and members together—throw themselves energetically into the war effort without forgetting their Socialist convictions, they can become immensely powerful agents for the conversion of the managerial grades. They can do this not by laying aside their Socialism, but by asserting, and providing by act and deed, its indispensability as an instrument for the effective prosecution of the war on the economic front. That they should do this is not only necessary to victory, but also the most practical step that can be taken towards laying sure foundations for democratic reconstruction. For the managers, as a social class, will on the whole back what looks like being the winning horse. They will rally to the Socialist solution of the economic problem precisely to the extent to which the manual workers and their organisations can convince them that they are set on securing efficiency and expanding production, and are not standing blindly for the retention of traditional practices, and thus obstructing industrial reorganisation rather than seeking to promote it in the interests of more efficient and better-planned production, in war and peace alike.

This brings us to a consideration of the part which economic leadership will be called upon to play in the coming social order. This leadership is, broadly speaking, of three kinds, which may, or may not, be united in the same person. These are, first, directive and organising leadership; secondly, technical and administrative leadership—for administration is a branch of technique; and thirdly, human leadership. The best man of all to stand at the head of a great economic enterprise is one who combines all these three. Failing that, the best to dispense with, in the man right at the top, is technical ability; for he who has the other two will know how to use technical ability where he finds it. The greatest difficulty arises when high organising capacity is divorced from the power of leading men, and has to manifest itself in driving them instead. This is a real dilemma;

for organising and directive capacity are scarce, and society cannot afford simply to dispense with them when they are combined with other qualities inconsistent with democratic leadership. All it can do is to try to place them in positions in which they will have as little as possible to do with ordering other people about, or to temper their autocracy by setting beside them, on governing boards or commissions, men who excel in human leadership, even if they have less pre-eminence in organising power.

The technician, unless he possesses organising ability or human leadership in addition to his technical or professional skill, is unsuited for executive control. His function is none the less important; but it is advisory. The case against technocracy rests on the frequency of the divorce between technical ability and the other qualities of leadership, as well as on the democratic argument. The technician who is unfitted to command may be the best of all research workers, or the best of advisers; and his post should be one of honour and of good emoluments, though he cannot aspire to lead. But some technicians have other qualities of leadership besides their technique; and it is among the major faults of the present economic system that it tends too often to divorce technique from executive leadership, and to deny the technician the chance of being a leader or organiser of men, even when he is the right man for the job. This divorce appears both in business and in the public service; and the new social order must make short work of it. The technician must be given every chance of proving his capacity as an organiser and a leader of men; for the modern age stands most in need of men who combine the diverse qualities of leadership.

There are, I know, conceptions of democracy which include a belittlement of the leader, and find in the very notion of leadership an inconsistency with the democratic idea. But it is a plain fact that democracy is differentiated from other social systems by needing more leaders, and making greater demands upon them; for it both seeks to diffuse leadership widely through every branch of social activity and compels the leader to rely more on his inherent qualities of leadership, and less on force. The many-headed monster needs many heads, not few, if it is to direct its affairs aright. Democracies, above all other societies, stand or fall by the quality of their leadership.

That is why the technician, the manager, the organiser, and the professional man need fear no diminution of their status in a democratically organised society. As long as they demand to be paid highly for their services, and will not serve as well for lower pay, they will be paid well—unless a democratic educational system succeeds in multiplying the number of competent would-

be leaders faster than society's need for them grows; and this is an unlikely contingency. Leadership is scarce; and in a society organised for plenty, and bent on keeping everybody on his toes in order to achieve it, leadership will be at a premium. Only in proportion as leaders themselves come to value social equality more than high rewards, and to put honour and reputation above riches, are they likely to suffer a fall in remuneration. There are exceptional cases to which this does not apply—swollen salaries paid by great monopolistic concerns to a few men out of their surplus profits. But for the general run of technicians, professional men, administrators and organisers the new society is pretty certain to offer financial rewards at least as high as most of them get now, and therewith much greater opportunities.

This boon of greater opportunity is not to be sniffed at. Being thwarted of the chance to do one's best is fully as great an evil as poverty, save the most extreme; and society to-day is full of thwarted men of ability who find the profit system standing blankly in their way. They could do so much, both to show what is in them and to advance human welfare—if they could get the chance. But either there is no money in what they want to do, or it threatens to interfere with some powerfully entrenched monopoly, or they simply cannot make their voices heard. A society planned for plenty and collectively owning the essential instruments of production will be much readier to listen than are those who hold the strings of power to-day.

Leadership, however, is found and needed not only in economic forms, but in every field of social action. It is needed in every village and in every street; and its presence or absence in these small groups of men makes all the difference—especially its presence or absence in its third form—the ability to lead men, not drive them. This same quality is needed in every field of political activity—local, national and international—and in every sphere of voluntary social organisation. To stimulate this quality in as many men and women as possible is the most important educational task of a democratic community. Only a minority can ever be capable of it, even in its lesser forms; and those who have it in them are the salt of a democratic world. How are we to discover them, and how to train in them this power to set the tone to society as a whole, and to convert democracy everywhere from mere formalism into a living and creative spirit? To attempt to answer that momentous question we must turn another page.

CHAPTER IX

EDUCATION FOR DEMOCRACY

EDUCATION—FOR what? That is the question which should confront everyone who professes to have notions about educational reform. Yet it is a question seldom asked in the circles in which the character of the public provision for education is determined. For it is a dangerous question, liable to divide the educational reformers, as well as the politicians, and to bring out, all too clearly for many people's taste, the intimate relation between a country's educational arrangements and its social and economic system. It is much safer to argue about the quantity of education that ought to be administered, without going into its character or purpose, or to debate possible changes in educational machinery, rather than in the education itself.

There are, of course, not a few persons who do trouble their heads a great deal about educational method. There are child psychologists, experts in the art of training teachers, and specialists of many other kinds. But in general the child psychologists are concerned rather with methods than with ends or, where they do consider ends, are apt to consider them mainly from the standpoint of enabling the child to 'develop its individuality' and 'express itself', as if these things could be regarded as good in themselves, and considered out of all relation to the needs of the community. As for those who train teachers, they have for the most part before them the object of providing teachers to fit an existing demand, rather than of questioning the rightness of the system which gives rise to this demand. Nor is it otherwise with most of the remaining specialists. They take the system as it is, and try to adapt their techniques to providing what is demanded of them as efficiently as they can.

Outside this closed circle stand, at varying distances, the educational 'cranks'. But it is the misfortune of most of these that they get no chance of trying their experiments on children whose parents are not fairly well-to-do. Many of them have high ideals of what education ought to be; but they have to work under very artificial conditions—often in what amounts to a social vacuum. Even if their ideals are social, they have to concern themselves mainly with exceptions, and not with the common run of mankind; and this leads all too often to an exaggerated stress on individuality, and an ignoring of any social background wider than that highly artificial community which they have constructed for themselves in their own schools. These schools become microcosms, not of the world as it is, but of the private Utopias of their

promoters; and oddities, rather than developed individuals capable of useful citizenship, are apt to emerge. This is not, in the main, the cranks' fault: it is at least equally the fault of the system on the edges of which they are compelled to work, and of the stupidity, or perhaps rather the obstructive defence-mechanisms, of those who control the main currents of educational life.

Despite these obstructions, it is undeniable that the educational system has made great advances during the past generation. The growth of public secondary education has given a chance of mental development, as well as of rising in the social scale, to many thousands of boys and girls who would not have enjoyed these chances a generation ago. More recently, the new senior schools provided under the Hadow scheme have afforded better chances of real pioneering work among ordinary boys and girls than exist anywhere else within the State system; and in many places admirable use has been made of these opportunities. The primary schools too, though they have been starved of buildings and equipment, have made great progress, thanks to the devoted work of teachers who have refused to be strangled by bad teaching conditions and overcrowded classrooms. On a much smaller scale, valuable experiments have been made both with Nursery Schools and with Technical Schools aiming at much more than instruction in particular crafts (but on how inadequate a scale have both these types of school been developed!) Finally, adult education has made big strides within a limited field, but has failed to touch more than a fraction of its potential clientèle.

These are important advances; but one gets from them a sense rather of piecemeal improvement than of any clear vision of what the educational system as a whole is meant to achieve. As far as there has been a policy, on the part of those who have been mainly responsible for these developments, it has appeared to be conceived in terms of quantity rather than quality or purpose. Cautiously to raise the school-leaving age for the general run of children, and to provide a broader ladder leading to secondary education, appear to have been the main objectives. The Hadow, and subsequently the Spens, Report did indeed take to some extent a different line, directing attention to the need, if children were to remain longer at school, of thinking out afresh the type of school and curriculum required for the main body between about 11 years of age and the age of leaving, whatever it might come to be, and also trying to define distinct spheres for the old-type secondary school (or Grammar School), the new-type senior school, and the technical high school. But nowhere did even these Reports get down to the fundamental question—whether these different kinds of school were to prepare boys and girls to

find their appropriate places within the existing class-structure of society, or were to become instruments for creating a new kind of community, superseding and banishing the old class-divisions. Indeed, how could they, without dooming their efforts to sterility? The Hadow and Spens Committees were not set up for the purpose of disrupting the social order, but only of suggesting changes compatible with its maintenance, and calculated to make it work more efficiently.

Yet, plainly, the kind of education a community needs depends on the kind of community it is intending to be. A community which relies for its success on the competence of a mainly pre-selected ruling class cannot afford to neglect the task of providing an education that will teach that class to rule. This is the basic reason for the existence of the so-called 'Public Schools' in a condition of nearly complete isolation from the State system of education, and for the bitter fight which is put up against any proposal to merge these schools in that system. It is true that the lines of demarcation between 'Public' and publicly provided schools have been getting blurred since the State has created its own secondary schools and many of the lesser schools called 'Public' have been driven to seek financial aid from the State or even, horror of horrors! to put themselves under the Local Education Authorities. But the blurring has been only at the edges. The main body of great 'Public Schools' stands intact, training gentlemen and ladies with a presumption that they will in after life find, when they need them, well-paid jobs and positions of social power or influence. No doubt, these ladies and gentlemen are increasingly jostled by upstarts, even in the higher walks of life. But that is not fatal, as long as there is room for them 'up top', as well as for the upstarts. The time has not yet come, though it may come soon, for the upstarts not merely to elbow the ladies and gentlemen, but to begin elbowing them out.

The threat of being elbowed out has been the less because the State secondary schools have, in general, tended to model themselves on the 'Public Schools', rather than to strike out on new lines. This has made assimilation easier, and has prevented social conflict, as long as there has been room for both. The Universities too, receiving and stamping a rapidly growing number of boys and girls (especially boys) from State secondary schools, have helped with this process of assimilation; and the spread of standard English (the B.B.C. has been important here) has made in the same direction. England is less noticeably an aristocracy than it used to be; but the aristocratic influence is still very powerful, and the 'Public Schools', with the private preparatory schools that lead up to them, are its chief bulwark.

Recognition of this fact leads to a growing demand for the 'Common School'—that is, for the breaking down of the system under which children of different social classes, throughout their school careers, attend quite different schools, and never mix. One proposal is that private preparatory schools should be given up, and all children go to the same schools, irrespective of class, at any rate up to eleven or twelve years of age. This change would be highly distasteful to a large proportion of upper- and middle-class parents; but there would be nothing in it that would seriously disturb the class system. If children were to attend a common school up to eleven or twelve, and were then to be sorted out into distinct types of schools according to their parents' means and pretensions, the gulf between the two systems of education would not even have been bridged, much less filled in. The change might be good or bad in itself: that is another matter. The chief result that would follow upon it would probably be a much greater zeal among the better-off and more educated classes to improve conditions in the primary schools.

If we really want a system under which the education a child gets will depend, not on the parents' means or pretensions, but on qualities sought and detected in the child itself, we shall have to push the notion of the 'common school' in the field of higher, and not merely of primary education. At this point an even stiffer resistance is to be looked for from the adherents of the old order, who will recognise that, if the children of the well-to-do cease to have a preferential claim on the institutions of higher education, the class-system itself will be speedily undermined. The argument runs something like this: "The State is already providing secondary education on a large scale, with free places and maintenance allowances by which the children of many poorish parents—though seldom of the poorest—are able to profit. Why not continue along these lines, and let alone those 'Public Schools' which provide a distinctive kind of education for the children of parents who are willing and able to pay for it? Surely it is more praiseworthy for parents to spend their money on educating their children than on enjoying themselves? Why interfere with them?"

This is the negative argument. The more timid or conscienceful of the defenders of the 'Public Schools' try to strengthen it with one more positive. They argue that 'public school' education—by which they generally mean education in an expensive boarding-school—is so valuable and irreplaceable a kind of training for life that the community can by no means afford to let it disappear. They go on to agree that hitherto it has been unduly restricted to the children of relatively wealthy parents, and to promise, if the 'Public Schools' are allowed to survive and if the

State will give them the money, to provide a substantial number of scholarships for boys and girls from the public elementary schools—not indeed anything like a majority, but a minority which they think can be absorbed without essential change in the schools' character. This second line of defence—the mildly 'progressive' line—is often quite genuinely advocated by headmasters and others who would like a sprinkling of working-class boys in their expensive schools. But clearly it too is a way, not of abolishing the class system, but of preserving it by timely concession.

The question that most obviously arises at this point is whether an expensive boarding-school education is really as valuable a thing as its protagonists suggest. Or rather, for what sort of society is it of so much value? I believe that this sort of education is of immense value for a society divided sharply into social classes, and needing to turn out leaders not for democracy but for oligarchy. But I believe that it has equally a high disvalue for a society aiming at democratic leadership—not because such a society is in less need of leaders, but because it needs leaders of a different kind.

The arguments put forward in favour of keeping the 'Public Schools' well outside the State system of education are all, in reality, arguments for the expensive boarding-school at which boys or girls are trained to play the ruling-class game. There are no valid arguments, from any point of view, for keeping such great day schools as St. Paul's or Manchester Grammar School in a separate category from the secondary schools founded under public auspices in recent years. The attempt is often made to bring these schools under the same umbrella as the boarding-schools in order to save them from absorption into the State system; but when it comes to the point, all the arguments are about the value of expensive boarding-schools for training 'character'.

There is, I believe, a good deal to be said for the view that every child's education should include a period of boarding-school experience away from the home. This experience of living in a community is valuable; but there is no good reason for making it either expensive or exclusive. Nor should this plea for a period of 'boarding' be confused with the argument that boarding-schools are superior to day schools, or with the view that it is good for boys and girls to go to a boarding-school when they are twelve or thirteen and stay there for the rest of their school lives. What is needed for democratic education is not a very large dose of boarding for a few, but a much smaller dose for everyone.

I should therefore wish to make short work of the 'Public Schools' as they are. The day schools which claim this status I should like to see absorbed into the general system on an equality

with other secondary schools. Boarding-schools which are in or within reach of large centres of population I should like to see treated in the same way, and turned into day schools. Boarding-schools out in the country I would put to a different use, for the education of children from country areas or small towns where the kind of higher education they need is not available, of orphans or children whose parents are abroad or for some other reason not able to look after them, and of children deemed to require highly specialised treatment. Some of them could also be used, with very great changes, as camp-schools to which children from the regular day schools would go for their periods of boarding-school education; but for the most part this provision of camp schools would have to be made afresh—probably for the most part by taking over surplus army camps, aerodromes, or even Royal Ordnance Factories unsuitable for post-war industrial use.

I confess that I do not expect quite all this to happen immediately after the war unless social revolution comes in a more thorough-going form than I have postulated elsewhere in this book. I should be content, within these postulates, if nothing were done to bolster up the 'Public Schools' by grants of public money, except at the price of their complete inclusion within the State system. This would probably mean the handing over to the State of a large proportion of the boarding-schools which are not heavily endowed, and also of many of the day schools at present receiving 'direct grant' from the Board of Education, which would of course be discontinued. It would leave a few relatively rich schools to carry on for the time being; but I do not fancy they would be able to stand out for very long. If I were a believer in an all-boarding education as a desirable thing, I should doubtless take quite a different view; but, as I have said, I regard such an education, in the only forms in which it is financially practicable so as to preserve the merits claimed for it, as essentially anti-democratic.

Democracy, however, cannot rest content with hampering the training of undemocratic leaders; it must set out to provide its own. This, at present, is not being done effectively by the State system of education—which has, indeed, not been designed for any such purpose. At present, secondary schools are designed mainly for providing the clerical and routine technical workers needed by modern industry and commerce, and also for selecting from their intellectually abler pupils a limited number to stay on past the commonest leaving age, which is sixteen, and either enter industry or commerce a little higher up at eighteen, or proceed to a university and enter higher still. Also, of course, a large part of the energy of secondary schools goes into preparing those who

are to become teachers or servants of national or local government. Meanwhile, the new senior schools, where they exist, or the higher forms of the old elementary schools, deal with the general mass of those who leave school at the earliest leaving age, and push them out into the various manual occupations of a less skilled character, or into skilled crafts which do not require much book-learning, or, all too often of recent years, into juvenile unemployment following speedily on a 'blind-alley' job. Intermediately, central schools provide a type of education midway between elementary and secondary, and not necessarily ending at the minimum leaving age—a type often indistinguishable from that of the newer senior schools; and finally there are, on a small scale and only in some places, various kinds of technical or trade school ranging from narrowly vocational places of training for particular crafts to institutions providing an excellent general education with a scientific-mechanical rather than a specialised vocational bias.

What do we want? First and foremost, that all these variant types of school catering for the children over eleven or twelve shall rank as equal in respect of claims to staffing, equipment, amenity, and, as far as possible, social status. This is the demand for a 'common code' for all types of secondary, or higher, education, and a protest against treating less generously in teaching and other provisions those who are expected to leave school at fifteen or whatever the minimum age may be, than those who are expected to stay longer at school. This is an absolutely essential democratic claim. If we mean seriously our slogans about 'secondary education for all', let us give everyone education at the same relatively generous standard of teaching and equipment as are now available for schools under the secondary code, and not at any lower or different standard.

That is one point; and it is vital because schools which have to manage with cheap and inadequate teaching staffs and teaching equipment cannot be schools either for training leaders or for making the best of ordinary boys and girls. But the 'common code' is not everything, though it is a necessary condition of success in sorting out children to the types of higher education by which they will profit most, instead of that to which they are consigned on account of their parents' means, social status, or ambitions. What is needed is to have a wide variety of schools, all equally reputable, for children with different bents and abilities, and also to make it easy for a boy or girl to shift from one type of school to another, where an initial mistake has been made.

We live in a mechanical and scientific age; and the more we direct our energies to making the economic system as efficient as

possible—which we must do in order to enjoy both a high standard of material living and leisure to feel well-off—the more we shall have to attend to training our boys and girls in basic scientific and mechanical knowledge and ‘sense’. But it is an entire fallacy to suppose that the community’s productive power can best be increased by using boys’ or girls’ time at school to teach them proficiency in the jobs which they will be called upon to do when they have left school. It is a mistake to begin teaching even those who are to become specialised craftsmen their prospective trades until they actually enter industry. The principal need for the age that lies ahead of us will be for men and women who can adapt themselves intelligently to a variety of jobs, and this adaptability depends on intelligence and good basic knowledge and not on specialised vocational training.

What this points to is a great growth of higher schools with a broad scientific and technical bias, rather than of trade schools in a narrower sense. Hitherto, the boy who has wanted to acquire this kind of knowledge, but has not been able to proceed to a secondary school for full-time education, has been left to pick up what he needs by means of evening classes after a full day’s work. The strain of this, upon the keen and intelligent, has been very great; and a high proportion of those who have set out to gain technical diplomas or certificates have fallen by the wayside, unable to stay the course. Only a few have been able to get what they have needed by full-time attendance at junior and senior technical schools; and many of those who have gone on to full-time secondary education have found themselves condemned to a mainly literary curriculum, even though they would have benefited much more from a training based more upon applied science and mechanics. In the eyes of too many educationists, ‘cultural’ education has carried with it a superiority over ‘technical’—a relic from the days when ‘grammar’ was regarded as the be-all and end-all of educational advance.

In the new order for which we are planning, ‘culture’ will no longer be identified predominantly with literature and the dead languages; it will be a way of approach to any subject that is worth teaching at all. The ‘cultured’ man will be he who, having the basic knowledge that is relevant to the conditions of contemporary living, relates this knowledge to the past and to the future, and understands the essential processes of social growth and decay. It will be as honourable, but no more honourable, to have a literary as a scientific bent; and it is to be hoped that the literary man will no more pride himself on his ignorance of the foundations of science than the scientist will rest content to know nothing beyond the immediate range of his professional technique.

This, as we have seen, implies a wide diversity of educational curricula at the secondary, or higher, level. But it also implies a unity within this diversity—a concentration of the educational process on making the young men and women of to-morrow more effectively masters of the world they live in, and readier to regard their education as a means to finding what social service they can best perform. The teaching of 'citizenship' resides much more in permeating all the curriculum with this feeling of social relevance and purpose than in any attempt to handle citizenship as a subject by itself. The community will get good citizens not by preaching citizenship at them, but by teaching every subject in its contemporary social context.

We must expect that, even if we bring all secondary—including technical—education under a 'common code', some boys and girls will continue their full-time schooling beyond the age at which the majority will begin to work at some 'gainful occupation'. But those who are to defer their entry into industry or commerce, or whatever else they are meaning to take up, will be chosen no longer because their parents are well off, but because their qualities, though not necessarily superior to those of some other young people, mark them out as suitable for further full-time education. Probably it will be a longish time before this selection for further full-time education ceases to carry with it some aroma of social prestige. But the establishment of the 'common code' will make this aroma a good deal less pungent, and will narrow greatly the gulf in manners between those whose full-time schooling ends at different ages.

Moreover, it is to be hoped that for no one of those who leave full-time schooling relatively early will the entry to 'gainful occupation' mean the end of the educational process. There are imperative reasons for continuing education on a part-time basis at least up to eighteen for all those who begin to earn their livings at an earlier age. This is necessary, both because the basic requirements of democratic citizenship cannot be fully acquired by fifteen, or even sixteen, and because the continuance of schooling up to eighteen at least is the only means of building an effective bridge between school and adult education. I want to see a full half of the working time of boys and girls between sixteen—which I take as the desirable minimum age for the end of full-time education—and eighteen given to the day-time continuation school, which should be a place not of narrowly vocational training, but of broad preparation for the personal and social problems of adult life—the great school of citizenship for the majority of the coming generations of adults.

With this bridge to cross by, a far higher proportion of young

men and women can be interested in the voluntary continuation of education into adult life—provided, of course, that the institutions which provide adult education equip themselves to meet the new needs. What is called adult education to-day, valuable as it is in its way, is appallingly limited in its appeal. It caters almost exclusively for two types—those whose political or social-mindedness induces them to want to understand the key processes of social development, in order to be better able to influence them, and those who have, or think they have, a thwarted literary bent for which their defective school education has left them ill-equipped. These are both socially important types, and it is highly desirable to provide for them; but they are both, and are likely both to remain, small minorities.

Adult education ought to be equipped to cater for a much wider variety of bents and tastes. In particular, there ought to be much more of it designed not for exceptionally clever or industrious individuals, but for quite ordinary people. It ought to be much less divorced than it usually is from art and science; and its material equipment ought to be greatly improved, in order to enable it to cover a wider range.

At the back of all that I have been saying lies a general purpose which has not so far been clearly expressed. If we are to plan for plenty in our productive system, in our educational system we must plan to develop the creative impulses. For plenty is not mainly a matter of installing more machinery and keeping it fully employed: it is much more a matter of training up a generation of men and women who will be themselves eager to create and intent on finding out new ways of creative activity. Only an intelligent and self-reliant people will be able to make the best of the instruments of modern production, or to constitute itself the master, instead of the servant, of the machine. The very growth of the arts of mass-production is an enslaving process unless it is accompanied step by step by a parallel growth of popular intelligence and creative will. Indeed, if democracy is to be assured, the development of these qualities must keep ahead of the spread of mass-production technique.

I am very conscious that in this chapter I have left unsaid very much that badly needs saying. Some of these omitted things I have tried to say elsewhere, in a privately circulated paper which I hope to revise for publication some day. But, for the most part, the omissions are due, not to a reluctance to write the same thing twice (a reluctance to which some of my readers doubtless wish I were more prone), but to the desire to keep this chapter within a small compass, in order to fit it into what can, in these days of paper-shortage, be only a small book. All that I dare hope is

that, much as I have left out, I have said enough to indicate broadly the changes in the educational system which are necessary if it is to serve as a sufficient school of democratic leadership.

"But", I hear someone object, "you have said hardly a word about training *leaders*; you have been talking almost entirely about the education of the common run of young people." True, I have—because I believe that democracy does not need to have its leaders trained apart. Get the right basis for the educational system; direct it to fostering the creative qualities in boys and girls according to their several bents and abilities; provide the widest possible diversity of opportunities, and the greatest possible elasticity in changing over from one type of course to another. Do these things, and the leaders will emerge, not as supermen prepared apart, but as the *natural* leaders of the people. That, at any rate, is the faith that underlies what I have been saying; and that is the only educational foundation I can imagine as appropriate to a truly democratic society.

CHAPTER X

SOCIAL SECURITY AND ITS LIMITS

AMONG THE most insistent demands of the peoples is the cry for a greater measure of social security. The peasant demands it chiefly in the form of an assured market at a fair price for his produce, and of facilities for credit which will not place him at the mercy of the moneylenders. The industrial worker puts his claim in the form of a demand for the 'right to work', or to decent maintenance if work is not to be had. The invalid and the aged demand public pensions, and the sick medical care and the maintenance of the household income. These are social demands; but with them goes an increasing insistence by the individual on the importance of personal and family security. Investors show a preference for the less speculative securities, or for insurance as an alternative to putting their money out at risk. The more highly educated classes look out for safe jobs, in which they can expect to remain for life; and the more prudent workmen avoid placing their children in occupations which carry large risks of unemployment, even if the wages offered are relatively high.

Social reformers naturally echo this mood. The greater part of the progressive legislation of recent years has had to do with the removal or mitigation of the terrible insecurity which besets the lives of men; and programmes of progressive parties follow the same trend. Old age pensions, workmen's compensation, health

insurance, unemployment insurance, widows' pensions, the assistance board, and many more specialised reforms are examples of the growth of what is sometimes called 'eleemosynary' legislation; and the demands for family allowances, guaranteed minimum wages, a national medical service, and a general tuning up of the existing social services figure largely in the reconstruction programmes of advanced parties, and seem likely to appeal to conservative opinion as well, as still the best way of foiling demands for more radical social change. It is widely felt that as long as capitalism can continue to make concessions in the direction of social security, a large part of the electorate will rest content with the general structure of things as they are, and the more fundamental proposals for social change will meet with no great response among the main body of the people.

There is, no doubt, among a good many of us an uneasy feeling that security would not rank so highly among social claims in a society which felt a good confidence in its prospects. In the great Victorian Age in Great Britain, and until a very little while ago in the United States, security ranked very low among the demands of the politically articulate sections of the people. This was not because insecurity was not a widespread social evil: it was in fact very prevalent, and produced the most disastrous suffering. But its effects fell mostly upon the inarticulate and the inferior—at any rate in the Victorian virtues—and not, as it did increasingly between the wars, on the 'just and unjust' alike. The situation which gave new intensity to the claim for security was one in which whole bodies of men—small farmers in the United States, or miners in Great Britain, for example—found themselves suddenly confronted with a drastic fall in their standards of living, and a demonstration that society had no use for them, not through any fault of their own, but merely because something had gone badly wrong with the mechanism of production and exchange. Men and women who suffered in this way became more alive to social claims which included their own; and other people, who had paid no attention to sufferings which they could plausibly attribute to moral shortcomings on the part of the sufferers, began to take notice when they saw whole areas laid waste by a poverty which the inhabitants were plainly impotent to prevent.

The growing stress on social security was therefore perfectly right and natural—up to a point. It was manifest that if, in an age that was well equipped to produce enough to assure for all its members a decent minimum, there were nevertheless millions going appallingly short through no fault of their own, something ought to be done about this. There was indeed an economic as well as a human case for action; for it could not be denied that the

maintenance of demand among those worst off would tend to sustain the level of production, and thus at any rate mitigate the evil of unemployment. It seemed reasonable to aim at the maintenance of a minimum real income for every person in every household, not only by minimum wages and family allowances for the employed, but also by guarantees that this income would not be forfeit by old age or incapacity due to any cause. As I write, a Committee under Sir William Beveridge is surveying the whole of this broad field of social policy, with a view to producing a co-ordinated plan of social security to replace and amplify the piecemeal provisions of existing legislation.

But the search for security has a bad as well as a good side. It is not a sign of social health in a community when its young men and women prefer security to adventure; and it is a sign of definite disease in capitalism when the investor turns from profit-seeking adventure to the demand for an assured low return on his money. Nor is it a good thing for society that there should be either large masses of its capital administered for security rather than for enterprise, or a high proportion of its superior jobs normally tenable for life, irrespective of the efficiency or enterprise of their holders. That way of administering capital leads straight to restrictive monopoly; and that sort of tenure of jobs leads no less directly to red tape and avoidance of responsibility and personal initiative. Mr. H. G. Wells was quite right to devote a recent novel to an exposure of the evils of the social atmosphere in which "You can't be too careful" is the ruling idea.

It is highly necessary, in planning for the future, to discriminate between the good and the bad forms of social security. It is good, as far as it is humanly possible, to ensure a minimum standard of real income to everyone who is prepared to work for his or her living, or is prevented from doing so by youth, age, or any sort of incapacity. This kind of security, so far from undermining initiative, positively encourages it in the majority of people. For men and women will be readier to take risks if they know that the consequence will not be to condemn their dependants to destitution. There is, no doubt, a very small feckless minority of which this is not true. There are a few men and women who, assured of enough to exist upon, will give up all effort to do anything for themselves or society. But examination of these cases will soon show that most of them are due to physical or mental defect, and not to wickedness or even sheer laziness; and, whatever may be the cures for such defects, starvation is not one of them—especially as it falls on the children, and thus tends to reproduce the same evils in the next generation.

There is, however, as matters stand to-day, a real difficulty in

the way of applying a thorough-going policy of social security in the form of a guaranteed maintenance of a tolerable minimum standard of life. It is not good, nor do most people feel it to be just, to pay healthy people as much for standing idle over long periods as for working—even if their idleness cannot be regarded as mainly their own fault. But wages in the worse-paid occupations are so low that the guarantee of a tolerable income to the unemployed or the sick who belong to these grades of labour is bound to mean paying them more than they can earn when they are at work, at all events where there are dependent children or adults to be cared for. This difficulty, however, can be got over, in the majority of cases, by the provision of children's allowances, not merely for the sick and the unemployed, but for everybody, and, in the remaining cases, by the enforcement of a minimum wage for every kind of employment.

Family allowances are not, of course, desirable only or mainly on this ground. They are necessary because without them unmerited poverty is bound to fall on a high proportion of the nation's children and on those parents who play their part in producing the larger number of children for whom the nation is beginning to understand its need. The case for family allowances is unanswerable—not mainly in order to stimulate the birth-rate—for the effect on the birth-rate is uncertain, though it can hardly be adverse—but to give the children who are born a better chance of growing up healthy, intelligent, productive and happy.

Nor should there be any dispute about the necessity for making much better social provision for the aged and the disabled. In our aging population, better pensions are coming to be an imperative need; and it is intolerable for a democracy to let its old people decay in penury, or its disabled or incapacitated members languish on wretched pittance from workmen's compensation or public assistance. But it is necessary also to insert a caution. The increasing age of the population makes it desirable to let men and women go on working as long as they are fit for work, in order that production may be kept up to a high level; and it is also in general favourable to the health and happiness of men and women to continue working as long as they can. It would be, on both accounts, a great mistake to lower the pensionable age in any form which would involve the *compulsory* retirement of older people who are still fit for work. The demand for this arises, not from compassion for the aged, but from the desire to relieve the labour market of some of its supply of workers. But in a community planned for 'full employment' this motive will not merely cease to apply: there will be a positive need for the service of everybody who is capable of contributing to the national productive effort.

What is needed, then, is a social-security programme including, first, a guaranteed minimum wage for those at work; secondly, family allowances provided out of the yield of general taxation and beginning, if not with the first, at any rate with the second child; thirdly, a system of reasonable income maintenance for such unemployed as remain, for the sick, and for the temporarily incapacitated; fourthly, a much more generous scheme than exists at present for those partially disabled by industrial accident or disease; fifthly, a scheme of old age pensions on a decent living scale for those permanently incapable of further work; and sixthly, a general public medical service, including specialist and hospital treatment and necessary medicines, appliances, and special diet allowances, open to everyone in the community without any charge. There are other secondary provisions which are no less necessary for particular groups of the afflicted—for the blind, the deaf and deafened, and so on. But I am confining myself, here as elsewhere in this book, to the general line, without entering into details.

There remain, however, certain social groups whose needs cannot be fully covered by systems of income maintenance applicable to persons who are normally in wage-earning or salaried employment. The small shop-keeper, the independent worker who has no employer, the small-holder, and various other groups contain many very poor persons who cannot be protected by minimum wages, though they can be given family allowances, medical services, sick benefits, pensions, and other social services. There is no way of assuring a minimum income to a man who works on his own and does not succeed in making his little personal business pay. It is the more important to include these groups within the scope of all the social services for which they can be made eligible. For the rest, there must be some successor to the Assistance Board, empowered to fill up the chinks and crannies by means of discretionary grants to those whose needs cannot be covered in any other way.

Here, then, is the outline of a minimum plan of social security for post-war Britain. Pray note that it is an impracticable plan on any basis other than that of a planned economy working under conditions of 'full employment'. We shall not be rich enough after the war to provide these benefits on a tolerable scale unless we make full use of all our productive capacity. It is true that plenty is within our grasp, if we put forth every effort to procure it; but it is not true, above all for us, that the problem of production has been so completely solved that we have only to lie back and enjoy the fruits of our forefathers' resourcefulness in invention.

So much for the right forms of social security: now for the wrong ones. There is nothing to be said for the ideal which holds out to anyone the prospect of a 'cushy job'. To stay in the same job for life is not a merit: it is in ninety-nine cases out of a hundred a sign of mental or moral inferiority. Even to walk steadily up a ladder of promotion within the same office or business is not usually a sign of deservingness: it is far more often the hallmark of the unenterprising routinist. Men and women ought to shift about, trying their hands at different things, gaining varied experience, and mixing with different kinds of people; there is nearly always an undertone of failure in the epitaph of Mr. Chips. This, of course, is not solely a matter for the individual to alter. If we want more shifting about, we must educate our young people to be both more adventurous and more adaptable to a variety of jobs; and we must make it easier for them to shift, both by ensuring them a minimum basis of social security and by removing all the obstacles which Trade Union rules, pensions attached to a particular post, and incremental scales for long service at present put in the way of movement. The assurance of a minimum of security will make it much less difficult to do away with these other obstacles; and a society bent on high production and efficiency in all its parts will speedily see the need for pushing them aside.

Nowhere is the need for movement greater than in the public service. The administrator is apt to pride himself on his lifelong service to a particular branch of administration, which he has mastered to the last iota. But, the more completely he masters his job, the more he is apt, unless he is an exceptionally gifted person, to become its slave, and therewith a pestilential nuisance to those with whom he has to deal. It is a most necessary thing to find ways of shifting men easily into and out of the public services without a return to the 'spoils system'. Indeed, democratic government cannot really work if it is confronted with an irremovable Civil Service which knows its job much more completely than any Minister can know it, and can therefore thwart any Minister who is not very strong-minded and very certain of himself.

We have seen already that movement within the public services will become much easier as the range of these services is extended by socialisation. But we must beware of applying to the administration of socialised business the conditions of lifelong tenure which are found in the Civil Service of to-day. The 'sack' is a highly necessary democratic instrument, not merely for the 'rank and file', but right up to the highest offices; and it can be used freely by a democratic society which, needing all the labour it can

get, will always be able to offer an alternative job—not by any means necessarily at the same salary—and will in any case be guaranteeing to the dismissed official a minimum standard of security. Men will not relish being sacked, nor will the sack cease to involve hardship, even under these conditions. But a democratic community must, at all events, get away from the proprietary notion that anyone has a right to a particular job for life, even if his continued tenure of it is plainly contrary to the public interest.

CHAPTER XI

POLITICS AND THE COMMON MAN

IT is the burden of many complaints that the level of political knowledge and interest among the people of Great Britain is quite appallingly low. Doubtless, in part these complaints rest on a misunderstanding. Those who make them expect more than they have any right to expect; and they confuse two things which are really quite distinct. The level of political knowledge among the great majority of the people always has been very low, and the political interest of the majority has been aroused only rarely, and never for very long. It is true, up to a point, that what has happened is not a decline in the political interest or knowledge of the majority, so much as a relaxation in the interest of the more knowledgeable minority, through whom alone the majority can be stimulated to intelligent political action. A generation ago, the majority was expected to be apathetic in political affairs; and only a tiny proportion of women was given any chance at all of acquiring any political knowledge. Many men and all women were still without parliamentary votes: politics, though the scope had been widened, was still the prerogative of certain limited classes. But nowadays we begin by assuming that everybody ought to have some knowledge of politics, and some interest based on knowledge; and we are apt to be surprised when *Mass-Observation* tells us how far our views of what ought to be happening are removed from what actually does happen.

We have no right to be surprised, though the spread of popular education and the improved quality of the publicly run schools should have made it a good deal easier to get political ideas across to the ordinary man or woman. We have no right to be surprised, because education does not of itself impart either political knowledge or political interest, as our experience of the most highly educated among our acquaintances ought to have taught us long ago. Political apathy and ignorance are far from being class

monopolies: they are found as often among 'public' schoolboys and university men as among the products of our elementary schools. They will continue to exist in all classes and walks of life as long as the more knowledgeable minority does not make it its business to do all it can to remove them.

In other words, the quality of political knowledge and interest among the majority of the people in any community depends mainly not on what is taught to the majority in its places of education, but on the quality of political enthusiasm among the minority who are the leaders of public opinion. If this minority fails to give a constructive lead, no amount of increase in the quantity of popular education, and no provision for the teaching of 'citizenship' in the schools, will make up for the lack of this guidance.

Therefore, if we want to know why political knowledge and enthusiasm have failed to grow *pari passu* with the increase of education and the extension of the franchise, we need to ask what has happened to undermine the quality of political leadership in the more instructed minority. The answer is not far to seek. The great schools of political education for the people in the nineteenth century were, on the one hand, the Nonconformist chapels, and on the other, the Trade Unions, the Co-operative Societies, and other working-class organisations which were struggling to establish a recognised position in the life of society. These groups, though in different degrees, were excluded from equal social rights; and the urge to establish their position bound their members together in ways that were both highly educative and directly democratic. The groups were mostly small—small enough for any member who wished to play a direct part in their government, and indeed for doing so to be regarded as part of his duty towards his fellow-members. From these groups flowed much of the popular strength that went to the re-awakening of the Liberal Party after the Reform Act of 1867, and later to the rising Socialist movement.

But since these days two things have happened. Religion has lost much of its hold on the people; and, even where it remains alive as a personal faith, has lost its *social* force. The 'Nonconformist' is no longer a 'nonconformist' or 'dissenter' in any real sense; he is simply a member of one among a number of Churches which no longer differ very greatly in social recognition, apart from sheer survivals of certain privileges of the Established Church. There is no longer anything which makes Nonconformity a coherent social or political force over the whole country; no longer much for it to protest against; no longer much to bind its members together as citizens, as well as in their religious practices. This is

one great reason for the abrupt fall of Liberalism from its high estate. But it is more than that ; it is one of the greatest reasons for the decay of the political *élite* which used to base itself upon the chapels and spread out from them into every field of social and political action.

Many of the early apostles of Labour looked to the Trade Unions and Co-operative Societies to take the place of the chapels as the political educators of the people. But the second thing that has happened has prevented this. The Trade Unions, and even more, the Co-operative Societies, have become bureaucratised. They, like the chapels, have ceased to suffer from the sense of social exclusion. They have become fully recognised institutions which, even if they are not loved by the governing classes, have come to be regarded as an essential part of the make-up of modern society. In gaining this, they have lost much of the feeling of cohesion which went to bind their members together, not only in the actual business of collective bargaining or mutual trading, but over the greater part of life. This feeling still survives quite strongly in many of the mining areas, because of their isolation, of bad industrial relations, and of the perils which beset the miner's craft. But for the greater part of the working classes it has died or is dying away ; and nothing has taken its place. Moreover, the very success of the Trade Unions and Co-operative Societies in enrolling many millions of members has involved highly centralised methods of administration. Collective bargaining has become in most trades increasingly a national and decreasingly a local matter. The Co-operative Societies, though they retain their local basis, have become much too huge for the practice of direct democracy. In neither Trade Union nor Co-operative Society does the individual member now feel, as he used to feel, that the success or failure of his society depends on his personal effort.

Nor has the growth of local government done much to fill the gap. In theory, the democratic basis of our local governing institutions ought to make them a valuable training ground for active citizenship, not only in sending up to Parliament men and women already schooled in the arts of local administration, but also, over a much wider field, in enabling the mass of citizens to learn, by governing themselves around the parish pump, democratic arts which they can apply to the wider problems of national self-government. But in practice there is even greater apathy and ignorance about local than about national politics ; and, above all in the newer towns and suburbs which grew so fast between the wars, there has been hardly the beginning of a civic sense. This is due partly to the fact that only to a very limited extent are our areas of local government real communities—real centres of a

rounded social life. A man who works in one place, sleeps in another, and seeks his amusements or other leisure employments in a third is not, in any full sense, a citizen of anywhere. His 'citizenship' has almost nothing in common with the citizenship of Ancient Athens, or of a mediaeval town, or even with the citizenship of a small town which has preserved its identity amid the changes of modern life. There is, in many of our areas of local government, nothing at all to which a sentiment of loyalty can attach itself.

But this, though much, is not the whole explanation of the failure of local government to act as a school of citizenship for the main body of the people. For local government too has become bureaucratised, and a great deal of it necessarily consists of administration of highly complicated and usually unexciting processes in accordance with directives received from Whitehall. Moreover, as the cities and towns grow larger, and swallow up the smaller areas which used to have independent governments of their own, it becomes impossible for the ordinary citizens to meet and discuss their common problems, or even to know by sight or repute most of the persons who are supposed to be their representatives. Even so, if there were an *élite* animated by an intense interest in the affairs of the city, and determined to interest the main body of the citizens, much could be done to overcome their apathy—as indeed much is done in a few places which still retain something of the character of real communities. But in most areas there is no such *élite*; and in many what there is shows a tendency to regard local politics as little more than a subordinate element in national party contentions.

The great question, then, is whether we have to accept as an unavoidable fact this disappearance of the democratic *élite*, with all its disastrous consequences on the real quality of our nominally democratic institutions, or whether anything can be done to recreate that 'conscious minority'—to borrow a phrase from the French—through which alone the process of political education can be effectively extended to the majority. Now, it is beyond question that such *élites* depend for their existence and importance on a sense of having something really important to do. The Non-conformists of the nineteenth century, as well as their forbears, the Puritans, did believe that they had hold of something really important to all mankind; and so did the pioneer Trade Unionists and Co-operators who regarded their societies as the forerunners of a new and better way of living. The decay of religious belief, including the decline in its intensity even where it was not discarded altogether, destroyed the driving-force of Nonconformity. The reasons for the decline in the faith inspired by Trade Union-

ism and Co-operation are a good deal more complicated. They are connected partly with the very success of these movements, in alliance with others, in taking the visible edge off poverty. For as, with the growth of these movements and with the development of the social services which they helped to inspire, the lump of sheer human misery was made very much smaller, Utopia ceased to look as attractive as it had looked by way of contrast with the present, and the social motive of horror at the mass of preventable suffering became weaker in its appeal. One has only to read the writings of Blatchford or of the Booths (the 'General' or the *Life and Labour* one) side by side with those of Seebohm Rowntree to realise that, though much misery remains, it is no longer of a sort that can be expected to rouse the covenanting enthusiasm of earlier days. Social insurance and the Assistance Board are seeing to that; and probably before long an improved social security system, including family allowances, will see to it still more.

This is much; but it does not bring us one step nearer democracy. Quite the reverse; it knocks away the foundations of the older democratic movements without putting anything new in their place. The basis for a new political *élite*, in Great Britain though not necessarily in much poorer countries, is bound to be very different. It lies in the sense, rapidly growing now in men and women of different classes and political antecedents, that it is a sheer impossibility to go on living under the institutions to which they have been used, or to adapt these institutions, by mere tinkering, to the absolute requirements of the world of to-day. Where the generation of Blatchford and Keir Hardie saw as the immediate issue the improvement of the condition of the 'bottom dogs' by redistributing among them a share of the superfluities of the rich, the reformers of to-day find themselves confronted with the immediate necessity of rebuilding society from the foundations if the life of the people is to be able to go on at all, or without utter disaster.

This sense of the insistent need for fundamental social rebuilding is the powerful recruiting agent of Communism; for of all the political parties the Communists alone have so far shown themselves alive to it. The traditional parties have not—the Labour Party hardly more than the others—for all these parties are mainly concerned either to defend what they have got, or to get more of what they have been getting by the same means as hitherto. Only Communism—and Fascism—question as political parties the foundations of the politico-economic system, and set out to create something new. Fascism does this by repudiating both democracy and every idea of decent human fellowship, and by exalting war and enslavement as the virtues of a master-race.

Communism does it, in Russia, as it should be done, by making a new kind of democracy, and setting to the people and to the leaders who are thrown up among them a challenging constructive task. But, unhappily, Communism in this country fails at this essential point, because it clings too tightly to Russia's coat-tails and does not set itself to devise a policy appropriate to our very different ways of life and thought. Consequently, instead of creating a powerful *élite* capable of permeating the main body of the people, it fatally wastes, and after a while disillusiones, the potential leaders who are attracted in large numbers into its ranks. It recruits, or spell-binds, many of those who should be the inspirers of mass-democratic sentiments, and then spews them forth, disillusioned and cynical, when they find out that it has no quality of its own beneath the veneer of constructiveness which it has borrowed at second hand from the Soviet Union.

Moreover, the existence of this unconstructive Communism, decked out in its borrowed panoply, makes it very difficult for any effective *élite* to gather itself together under a different banner. Instead, we get a host of little, ineffective movements, trying in the main for the right things, but lacking all cohesion or power of influencing the majority—poised uneasily between the barren traditionalism of Transport House and the mirage of a Communism which but leads men further into a political wilderness. The Russians built their revolution on Russian conditions; we must build ours on British conditions. But equally it was a revolution they made and not a mere continuation of previous trends.

To make *our* revolution, we must face *our* problems—problems which are radically new, because Great Britain's position in the world has already undergone a fundamental change. We can no longer, even if we would, hold up our heads as a conquering, imperial race. Even if Empire remains, it will never come back on the basis of imperial exploitation. In the days to come, we shall have to pay for what we consume with the sweat of our brows, whether what we consume be imported by way of exchange or made at home. Therefore, the entire emphasis must shift to securing the highest possible production, or our standards of life will undergo a catastrophic fall. We shall no longer, in the world after the war, be able to afford unemployment, or misdirected production, or waste of man-power in any shape or form. Round the understanding of this unavoidable truth we must build our new *élite*, which can set forth to conquer the political apathy of the majority by offering to everyone his constructive task. The needs of war-production should already be laying the foundations for the work of this new *élite*—through Production Committees in the factories, and through the coming together of men and women

who understand the requisites of modern productive techniques. If the Trade Union leaders will not take the lead in this, the workers, the production experts and the scientists must take it over their heads. Not because economics is the whole of life—by a long way—but because the right handling of economic forces is the condition on which depends for any people the opportunity to enjoy a civilised life.

CHAPTER XII TOWARDS DEMOCRACY

I

MEN HAVE but a short history of civilised living, and for by far the greater part of that history they have been used to living together in quite small groups. Most of the day-to-day problems they have been called upon to solve collectively have been those of neighbourhood—problems affecting themselves and other persons whom they know as individuals, or at least know about so as to have an insight into their needs and desires. Great States have existed far back in history; but they have been external forces, acting upon the individual, but not shaped by him or calling upon him to play any conscious part in ordering their affairs. Only quite lately, over a space of time which is insignificant in relation to the whole span of social development, have ordinary men been placed in a position in which they are called upon to take part in decisions which involve the united action of millions and require a capacity for reasoning in generalisations which far transcend the limits of their practical knowledge and personal acquaintance.

It is vital to remember this in laying our plans for the democracy of to-morrow; for it is largely through forgetting it that the democracy of yesterday has gone wrong. Every man has to live through, before or after birth, the entire history of the human race, as well as the history of man's ancestors upon the earth. He comes to citizenship trailing these clouds, not of glory, but of a growth neither glorious nor inglorious in itself, but neutral, and of ever-increasing potentiality for both good and evil. His whole past, the whole past of his ancestors, is in him, alive and ready to be active, though most of it remains under normal conditions below the level of conscious awareness.

The art of living together in organised communities goes far back in history—even beyond the beginnings of man as the creature he is. It is the outgrowth of a primitive gregariousness, as the

social psychologists call it; and men for most of their history have been slowly (though not uninterruptedly) rationalising their ways of living together and developing their capacities towards higher and more differentiated forms of social control. But of late man's capacity to learn has been subjected to an altogether unprecedented strain. Into a world still relatively static in its basic ways of living—though, looking back on it, we can see in it the seeds of all that has happened since—the advanced thinkers in all the classes, led thereto largely by the Protestant conception of a direct and unmediated relation between the individual and God, projected the idea of representative democracy as a means of governing great States. Men, they felt, had shown their fitness to govern themselves in small groups (above all in small groups of dissenters who had to govern themselves because they rejected the discipline of a universal Church); and there seemed no reason why, having achieved so much, they should not go on to govern themselves collectively in greater groups, and take into their hands, by means of representative democracy, the government of the State.

But, over the brief period in men's history during which this experiment in democracy has been made, the material basis of living has been changing at a pace undreamt of by those who preached Liberty, Equality and Fraternity in that dawn when Wordsworth found it blest to be alive. Men found themselves called upon to master the art, not of governing the State as it was, but of prescribing for the government of a vast society which changed its basic structure so fast that the magnitude and growing complication of its problems outran hopelessly their capacity to learn the difficult art of collective control. Under the leadership of science, things ran away with men, and the social mind was left groping further and further behind.

When problems become too big for men to understand, their actions cease to be governed by the higher controlling mechanisms of their conscious minds, and the living past of the unconscious resumes its sway. Its processes are radically different from those of the conscious mind, above all in being both amoral and unco-ordinated, so that they do not reject contradiction. Nothing is easier than for this part of man's mind to believe inconsistent things: they do not appear as inconsistent, because there is no active controlling mechanism to relate them one to another.

This fact lies at the very root of the failure of parliamentary democracy. Its weakness has been that it has presented to the ordinary man problems much too remote from his knowledge and experiences for him to solve rationally. As he must solve them somehow, he solves them irrationally; for his under-mind resumes its sway as soon as his upper-mind retires defeated before the

magnitude of the task presented to it. This explains not only the weakness and irrationality of parliamentary democracy at its best, but also the ease with which it has been swept aside by dictatorship in one country after another. For dictatorship, in its appeal to the people, is neither more nor less than an unscrupulous and conscious exploitation of the under-mind.

Stated in this way, the problem may seem hopeless for those who believe in democracy. I do not wish to deny its difficulty; but its hopelessness I do altogether deny. The task which the democrats of 1789 called upon the ordinary man to shoulder was far harder than they knew; for they could not anticipate the tremendously formidable pace of material change with its constant presentation of new problems long before the old ones had been solved. But it was not, I believe, even so an impossible task: nor is it now. Unhappily, the old democrats, Jacobins and Benthamites alike, made a disastrous mistake in their interpretation of democracy. Their forerunners had wished to strip man naked before God, to throw off all the trappings of Church and sacrament in order to establish a direct and personal relationship between the individual and his Creator. The political democrats set out to strip the individual naked in his relations to the State, regarding all the older social tissue as tainted with aristocratic corruption or privileged monopoly. Their representative democracy was atomistically conceived, in terms of millions of voters each casting his individual vote into a pool which was somehow mystically to boil up into a General Will.

No such transmutation happened, or could happen. Torn away from his fellows, from the small groups which he and they had been painfully learning to manage, the individual was lost. He could not control the State: it was too big for him. Democracy in the State was a great aspiration; but in practice it was largely a sham.

Not wholly so; for men, though this task was too big for them, set busily to work creating social groups which they could manage democratically, because the decisions needed in them were such as could be taken on a basis of real collective experience. They built up Trade Unions, Co-operative Societies, Friendly Societies, and a host of voluntary associations of every sort and kind; and in these the true spirit of democracy flourished. But the State—Government and Law together—was hostile to these natural growths of the spirit of democracy, and recognised them only grudgingly and perforce. They were commonly regarded as dangerous enemies of a democracy which was atomistically conceived, whereas they were in truth the embodiments of the democratic spirit in the form in which its realisation was most within men's grasp.

But this vital associative life had also to contend with difficulties arising out of the rapidly changing material basis of social life. The associations had to become larger and to unify organisation over wider and wider fields, in order to face their own problems on an ever-growing scale. Therewith they became less completely democratic, threatening in their turn to develop the same atomistic perversion of democracy which was its ruin in the State. Moreover, these associations, each sectional and serving particular ends, could not express the whole man, or form any adequate substitute for a neighbourhood group through which men could learn the art of citizenship in its more general aspect. The growth of local government did something towards bridging the gulf between the individual and the State; and the growth of political parties with a wide popular membership was a second essay in mediation. But the political party was largely ineffective because the tradition of parliamentary centralism caused it to be rather an instrument organised from the top than a force surging up from below. Parties were not shaped by their members: they set out rather to order their members from above. Nor had the national parties that intimate touch with local government which might have brought them nearer to being instruments for the true democratic formulation of will and opinion from below.

As for local government itself, its democratic qualities are very new—too new to have sunk deeply into men's minds as yet. Only very recently has local government acquired the powers and functions which could enable it to become a vital instrument for the expression of the democratic spirit; and most unfortunately this growth of powers has been accompanied by a tremendously rapid spread of towns which has gone far towards neutralising the development of local democracy. For urban areas have both grown so populous and complex in their problems as to reproduce many of the defects of parliamentary democracy, and have also expanded so much out of relation to the recognised areas of election and administration as to lose their living reality.

Our problem, in face of all these formidable difficulties, is simple to state. It is to find democratic ways of living for little men in big societies. For men are little, and their capacity cannot transcend their experience, or grow except by continuous building upon their historic past. They can control great affairs only by acting together in the control of small affairs, and finding, through the experience of neighbourhood, men whom they can entrust with larger decisions than they can take rationally for themselves. Democracy can work in the great State (and *a fortiori* between great States or over Europe or the World) only if each State is made up of a host of little democracies, and rests finally,

not on isolated individuals, but on groups small enough to express the spirit of neighbourhood and personal acquaintance.

It is worth while to be bombed or invaded, if only *blitz* or invasion can teach us this lesson. In blitzed cities here, in invaded towns and villages all over Europe, in dictator-ridden Germany, where the amoral unconscious has been evoked as an instrument of the lust for power, men and women are creating new social tissue, drawn together into little groups of neighbours by suffering and oppression and insistent human need for sympathy and collective strength. These little groups are the forces out of which the new Europe must be built, if democracy is to be its moving spirit. They are the nuclei of the new social consciousness on which alone the practical architects of the social order of to-morrow can hope to build a society in which men's higher faculties of love and creative service will have soil to grow.

But to-day these little groups are pitifully isolated and unconscious one of another. Throughout Nazi-ridden Europe, the primary purpose of our propaganda should be to feed these groups with ideas, through the natural leaders who have been thrown up among them, and to make them conscious one of another, even when direct communication between them is impossible. How far our propaganda misses this mark it would take another chapter to show. Here it can be said only that our propagandists do not appear even to be aiming at it. More directly relevant to my present purpose is the application of what I have been saying to our home affairs. Those of us who believe in real democracy, and not in its atomistic perversion which threatens us with ruin, must find ways of getting together and of making contact with the chosen leaders of the countless little groups which are learning to practise democratic fellowship under the savage impact of war. Wherever we can, we must live among these groups, learn by sharing in their experience, and bring back lessons which we can apply to the wider tasks of social reconstruction. I know that I am only one of thousands who in this bewildered, devastated world of broken illusions and obsolete formulations of faith or doctrine, are groping for fellowship and for new ideas or formulations, based on the relevant experience of the world of to-day. Such communications are difficult to establish. Travel is difficult: we are all busy with what seem urgent tasks: it is hard for men to meet and talk, and learn by that communion of neighbourhood of which the values often transcend speech.

But the blackout is not absolute. We can reach out one to another through the darkness. What is most urgent now is to give those who have in them the capacity of leading a few the sense that there are others besides themselves busy, each in his own

narrow sphere, about the real business of democracy, which is the making of men. Our past affiliations, of party or creed or class, are irrelevant to this task, save as means of making contacts. We, whom luck or experience or intellectual cunning or divine inspiration—call it what you will—has endowed with the inward vision of democracy, must come together with faith and courage to proclaim ourselves the architects of the new society, and to offer what inspiration we may to those fellow-workers, personally unknown to us, who are labouring, consciously or but half-consciously, under stress of blasting experience, in the cause of a democracy which will not desert little men forlorn and alone in a world whose hugeness leaves them shuddering and afraid of the dark.

II

Great Britain, I have said, is not a democracy. There are democratic elements in the life of Great Britain, of course; but that is a very different thing. Our country is in truth a queer mixture of discrepancies. There is a layer of aristocracy, based on land: upon this has been superimposed a much thicker layer of plutocracy; and the mixture has been shaken so that these two layers are pretty well fused together, though their separate colours still show. Upon them in turn has been poured layer after layer, not quite of democracy, but of lesser sorts of privilege. One profession after another has risen in the social scale, and assimilated itself to the habits of the bourgeois-gentleman; and below these the skilled craftsmen organised in their own Trade Unions have asserted the claim of the upper working class to social recognition as well as to political influence. This process has gone along with the gradual widening of the franchise—in 1832, 1867, 1884, 1918 and 1927—until nearly every adult has a vote. But votes are not by any means the same thing as political power, which stops short at the point at which the voters cease to be organised for using it. The reality of political influence rests, as it has always rested, on coherent groups or interests, and not on the entire electorate. That is why the Labour Party, when you scratch it, turns out to be the party of the Trade Unions, rather than of the people *sans phrase*. There is nothing else for it to be, as long as 'the people' is merely an expression, and not an organised power.

Trade Unionism, as it rose slowly to social influence and recognition, presented itself as a force making in the direction of democracy, though never without qualification. Keir Hardie and the Socialist pioneers who had to fight the narrow craft-egoism of the older Unions were well aware of its limitations in this respect. For a time after 1889, the year of the great Dock Strike, it seemed

as if the Socialists would be able to turn Trade Unionism into an instrument of the whole working class. Out of that impetus came the Independent Labour Party, with its Socialist programme and its ambition to create a mass party of the workers. But the battle was never really won. When the Trade Unions agreed to go collectively into politics, and joined forces with the Independent Labour Party to create the Labour Party, they made it a condition that, as they were to pay the piper, the last word should be theirs. It always has been theirs: the Labour Party can never afford to do anything which the Trade Unions will not support.

This would not have greatly mattered, if the mood of Trade Unionism itself had not changed with the times. But Trade Unionism necessarily takes its tone from the economic conditions within which it has to work. An expanding capitalism, which can readily afford large concessions, means a militant Trade Union movement intent on exacting them, and disposed to champion the claims of every section of the poor and needy. A contracting capitalism, on the other hand, means a Trade Union movement set, if possible, on avoiding battle under unfavourable economic conditions, and much more intent on holding on to the limited concessions it has secured already than on seeking further conquests. Such a movement loses its evangelical zeal, and tends to look with suspicion on Socialists who are keener on ending poverty wherever they find it than on sustaining the limited labour monopolies of particular sections of the working class.

This is the real explanation of the weakening hold of Socialism on the Trade Union leadership. No doubt, if the contraction of capitalism goes far enough to make the narrow strongholds of Trade Unionism untenable, there will come a revulsion of feeling, and rank and file Trade Unionists, in despair of holding what they have under the existing system, will determine on a frontal attack on capitalism sooner than give it up. But this will not happen until the decay of capitalism is far advanced and clearly visible; and even then it is doubtful whether Trade Unionism can change its fundamental strategy without a complete revolution both in leadership and in methods of organisation—a revolution which will, of course, be stoutly fought by the present leaders and by a not inconsiderable section of the trade union rank and file.

This is the background against which we have to consider the claim of the Labour Party to be the political spearhead of Socialism. It is in truth nothing of the sort; nor has it ever stood for Socialism in any full sense. It has favoured the nationalisation of certain industries; but the extent of its keenness to nationalise anything has been measured mainly by the extent of trade union dissatisfaction with the conditions obtainable under capi-

talism. The miners and the railwaymen have seen to it that the Labour Party shall demand the nationalisation of railways and mines; but there has been much more hesitation about banking and insurance, where there is no corresponding trade union pressure for public ownership. In effect, the Labour Party, despite its paper professions, has been in practice the party of Trade Unionism and of social reform; and in social reform also it has stood mainly for what the Trade Unions want. Witness the long struggle over family allowances, to which the Party could not commit itself until the Trade Unions, more interested in wage-bargaining than in the children of the largely unorganised bottom-dogs, at last removed their ban when the shoe of poverty began to pinch tighter at hitherto relatively well-to-do sections of the working class.

This is not written in bitterness, but as plain statement of fact. The Labour Party, as it now is, reflects a condition of Trade Unionism which is already passing away—a condition in which it was possible to exact growing concessions for the organised workers from a capitalism which was getting wealthier all round. This process can be continued for a time even when capitalism has ceased to expand and has begun to contract; for there are still monopolists who can afford to pay more and expanding industries from which concessions can be wrung. But the area over which trade union bargaining can be successful necessarily gets smaller as capitalism contracts; and the area of discontent is proportionately increased.

The question is, Can the Labour Party shake itself free of its shackles in time to adapt itself to this changing situation? It could, of course, shake itself free fast enough if Trade Unionism itself passed through a revolution of policy, and made up its mind frontally to attack capitalism instead of coming to terms with it. But of such a revolution in the Trade Unions there is as yet but little sign, though it may be preparing beneath the surface in the growth of the shop stewards' movement, ready to break forth as soon as the war is over and the workers are no longer compelled to subordinate everything else to the immediate exigencies of war production. Until or unless that happens, it is difficult to see how the Labour Party can become in essentials different from what it is.

The consequences are highly unfortunate; for the Labour Party, as it is, necessarily fails to attract those who *are* thinking and feeling in terms of a radically new social system, and fails in particular to attract those who, whatever their age, are now beginning, under stress of war, to think and feel politically for the first time in their lives. The Labour Party simply cannot say to these potential recruits, who are of every class and kind, the com-

fortable words that they are eager to hear; for these are words of hope and adventure which are remote from the official mind of a party tied firmly to the coat-tails of the Trade Unions. The Labour Party cannot speak to the soldiers, who are keen enough to know what sort of life they are to come back to after the war, and mostly do not care a tinker's curse for trade union regulations or appreciate at all the character of past trade union struggles or the benefits which have accrued from these struggles to the common quality of contemporary living. The Labour Party cannot appeal to the growing body of workers, technicians, managers, and even employers, who are disgusted by the inefficiency and obstructiveness of monopoly capitalism as an instrument of war production, and would respond readily to the idea of a new social order, but are mostly distrustful of Trade Unionism as a narrow and restrictive influence akin to the monopoly capitalism with which it drives its most successful bargains. The Labour Party cannot appeal to youth, where youth is in the mood to be appealed to at all; for when youth is politically aroused it demands a spice of romance and venturesomeness about its politics, and is speedily disillusioned by the spectacle of a party professing advanced principles, but dominated by old men shambling along on the crutches of dead slogans and obsolete policies which the swift movement of events has left far in the rear.

And yet, besides the Labour Party, what is there? Common Wealth, which has fused together Sir Richard Acland's new brand of Christian Socialism and the semi-socialist programme of Mr. Priestley's 1941 Committee, is the latest attempt to rally the forces of democracy outside the Labour ranks. But it, like any other movement resting exclusively on idealism, without any solid core of organised backing from some coherent section of the people, altogether lacks stability, and is as likely as not to give place within a few months to some other movement with no better chance of permanent success. No *party* can make good in British politics—though of course groups can make a noise—without a solid core of assured backing from some substantial section of the public, including ordinary, stupid people as well as sea-lawyers and ideologues and persons in whom the bumps of benevolence or combativeness are exceptionally developed. But whence is this backing to come, if the Trade Unions still refuse to provide it?

I feel sure that it will come, in its own time, either from the Trade Unions or in some other way mainly from the working classes if the Trade Unions fail to rise to the occasion. But I do not know when that time will be, or what form the new movement will assume when it does arrive. It may still come through the Labour Party, or it may not. In these circumstances, seeing

no alternative rallying-point that seems to offer real prospects of success, I remain with the Labour Party, because I would sooner be somewhere than nowhere, and have no relish for the position of the political 'lone wolf'.

But why, it may be asked, why not join the Communist Party, which is thinking in terms of a new order, and is not held back by being tied to the trade union apron-strings? I cannot do that, for two good reasons, of which the first is that I do not at present believe in Communism as a policy appropriate to British conditions, and the second that, deeply as I admire and respect the Soviet Union, I do not fancy its apron-strings very much better. I agree entirely with the Communists that the defeat and eclipse of the Soviet Union would be an irreparable world-disaster; but that did not make me ready to stand neutral in the struggle between Nazism and Western Europe as long as the Russians were outside it. True, the British Communists are in that struggle now, up to their eyes; but I cannot so quickly forget what their policy was not much more than a year ago, or feel sure of knowing what it will be even a year ahead. Nor can I feel that, under present circumstances, the Communists have any prospect of securing the sort of mass-backing which is necessary for the making of an effective party, as distinct from a mere group. This last reason, however, would not stop me from joining them, if I were really in agreement with their policy; for their prospects might change with changing conditions.

When I say that I do not agree with the Communists, because I do not regard their policy as appropriate to British conditions, what I mean is that I am not yet convinced that, in a country with a long tradition of fairly free discussion behind it and a high level of technical and educational accomplishment, as such things go among nations, it is necessary to go to anything like the lengths of compulsory conformity to which the Russians had to go in order to make their revolution secure. I believe that our civilisation, though it has failed to establish sound economic foundations for democracy, has made human victories that are of vital and permanent value, and cannot be flung away without loss which it must take generations to repair. These virtues of British society, which existed hardly at all in pre-revolutionary Russia, consist above all else in certain habits of mutual tolerance and human kindness which manifest themselves in the common relations between man and man. Imperfect as this spirit of tolerance and fellowship is, it is real; and it is so precious a possession that it would be iniquity to throw it away, as long as there is any possibility of carrying it over intact from the old order into the new. This spirit is, moreover, very fragile; and if the existing

social order were to dissolve into chaos instead of being transformed into something better, it would inevitably be lost in the ensuing anarchy, even if there were to emerge new virtues and values born in the heat of the struggle.

The will to preserve as well as to destroy is the final reason for the attitude which I have taken up in this book. If there were nothing worth keeping in the civilisation which has grown up under capitalism, there would be no good cause for struggling as hard as we ought to struggle to make the essential changes peacefully and not by violence. There was hardly anything worth keeping in the civilisation of Czarist Russia; and there is nothing to grieve at in its total eclipse. But fortunately the very possession of the values I have spoken of, imperfect as they are, is a means to their preservation. It is because they have these qualities, as well as for other less creditable reasons, that the British people are reluctant to push their quarrels to violent extremes. If this leads to inaction, when decisive action is imperative, so much the worse. But I do not think it need have this effect. It may, if we can get the right leadership, enable us to make our great change without fighting over it, or at least without much fighting, and, what is even more important, without being overmastered by hate.

I do not say that we shall achieve this, but only that we ought to try. But, if we are to try, we have assuredly no time to waste. Unless we can somehow make our politics come to life again, and that quickly, politics, in the traditional sense, will cease to be the deciding factor, and the disputants will resort to more violent ways and means. If that happens, I do not know who will win; but I do know that it will be a poor look-out for the British people, even if they emerge the victors. For Great Britain's position in the world is so precarious that we least of all peoples can afford to lay our country waste in the confidence of being able to replace the devastation when the struggle is over. If British industry is once put out of action, there is no special providence that will put back the factories here instead of somewhere else in the wide world. Great Britain owed its commercial prosperity to a series of historical accidents: another accident could suffice to sweep it away.

CHAPTER XIII

WHO ARE TO BE OUR FRIENDS?

THIS BOOK is about Great Britain, and not about the world. But it has been impossible to write it without constant reference to the relations between Great Britain and other countries, and it

is impossible to end it without some speculation about Great Britain's future world position.

What is certain is that, as the metropolis of a great imperial power, ruling over subjects many times as numerous as its own, Great Britain is finished. The British Empire, in the form which it had before the war, will never be restored, however the war may end. India, which accounted for the largest part of the Empire's subject population, has been promised its independence after the war, even if it does not become independent well before then. Burma, Malaya, and the rest of the British Far Eastern possessions temporarily lost to Japan, will never, I feel sure, return to their old status as colonial dependencies of Great Britain. Either they will become independent too; or they will pass under some sort of regime in which the United States as well as Great Britain, and probably other countries, will be accepted as partners. In Africa, there will almost certainly be some kind of international regime, linking together the former colonial dependencies of France, Belgium, Italy, Great Britain, and probably Spain and Portugal. The future of the British possessions in Central America clearly involves at least joint control with the United States—if not actual transfer of sovereignty. I hope and believe that the day of dependent empires attached to individual sovereign States is over and done with, and that the territories which have been ruled as dependencies will either gain their independence and link themselves together in large federal groups or, where that is not yet possible, pass under some form of international administration leading towards independence.

Of course, independence, in the sense in which the word is used here, is not meant to imply total and exclusive sovereignty. That, I hope, will exist nowhere in the post-war world, in which it is to be desired that all countries form part of larger groups, to which will fall a large part of the authority hitherto nominally vested in each separate sovereign State. But I do not wish to go back upon this question, which I have discussed as fully as I want to discuss it now in a book called *Europe, Russia, and the Future*. Here I am concerned only to follow up, and relate to the content of the previous chapters, the conclusions to be drawn about the future international status of the British people.

The British Dominions, as distinct from the colonies, may or may not elect to maintain their political connection with the British Empire. I cannot see that it matters much whether they do or not. The political connection is already so tenuous that no one can define it; and what really matters is the cultural and sentimental connection, which need not be broken even by a complete severance of the political ties. This valuable connection,

based on community of culture and sentiment, will live or die according as Great Britain succeeds or fails in the task of adapting its institutions to the conditions of the post-war world. If we in Great Britain succeed in making for ourselves a new way of prosperous and intelligent living in the post-war comity of nations, and in preserving therewith those of our traditional values and institutions which are alive and therefore capable of adaptation, we need not fear the rupture of the bonds that unite us to the English-speaking Dominions. The political ties are destined to lose their importance with the development of new forms of international government: the cultural and sentimental ties will live on as long as there remains a metropolitan culture to which the Dominions can look with respect and a feeling of real affinity.

The crux of Great Britain's political future therefore lies, not in the course of imperial relations, but in the relations which come to exist after the war between Great Britain and the three main groups outside the Empire with which a political accommodation will have to be reached. These are, first, the United States; secondly, the countries of the European continent west of the Soviet Union; and thirdly, the Soviet Union itself. Future relations with China, with independent India, and with the rest of the Far East are also important; but Great Britain's essential future will be determined by its relations with these three, and, of course, by their mutual relations as well.

In the extreme case, it is possible to envisage Great Britain, exhausted by the strain of war, simply seeking repose in the bosom of the great country that is nearest to it in language and in many of the externals of culture, and becoming a mere satellite, or even a member-community, of the United States, which would then inevitably become the metropolis of the English-speaking Dominions as well. I do not by any means exclude this solution, which is in many respects the easiest. If it comes about, a good deal that I have written in this book will of course become out-of-date; for the political and economic future of Great Britain will then depend in its broader aspects on what occurs in the United States, and not on the independent initiative of the British people. If the United States remains capitalist in its essential structure, Great Britain will probably remain capitalist too, and many of its industries will pass predominantly under the control of American capitalism.

This would not, I think, be such a disaster for the British people as the retention of control by the heavily damaged monopoly capitalism of Great Britain. For whereas the continuance of this type of capitalism in the saddle would mean poverty and mass-unemployment and continued loss of markets and of pro-

ductive power, the dominance of American capitalism would probably bring with it short-run advantages in a transfer of American capital which would make it possible for the British standard of living to be better sustained. What would follow in the long run would then depend on the course of further events in the United States. If New Deal tendencies continued to be pushed towards their logical conclusions, American capitalism would in course of time be succeeded by a peculiar American Socialism, and Great Britain would undergo a parallel transformation, by no independent action of its own.

I do not, I have said, rule out this possibility, which may become more of a probability as the prolongation of war increases the exhaustion of the British economy, while preventing its breakdown by means of American help. But I do not, at present, expect this to happen, unless the war goes on even longer than seems likely at present. It seems to me more probable that Great Britain will be kept formally independent of the United States, in order to serve the better as an intermediary, political as well as economic, between America and Europe.

If this is to be Great Britain's future status, there is implied too close a political and economic connection with the United States of America for there to be any possibility of a fusion of Great Britain into any such new political formation as the 'United States of Europe', or of 'Western Europe'. Close relations with such a grouping there would have to be, or Great Britain could not successfully play the part of an intermediary. But these relations would have to stop short of fusion, either political or economic. Their nature would necessarily depend on the character of the post-war structure in continental Europe, which cannot be considered without taking into account the international future of the Soviet Union.

At this point, I am compelled to recapitulate the broad conclusion which I tried to state in *Europe, Russia, and the Future*. I hope and expect that the influence of the Soviet Union will extend a long way west of its present frontiers, and will indeed be powerfully felt all over Europe; but I do not expect that all the countries now under Nazi domination will, by way of a European Communist revolution, come to be included in a single, gigantic U.S.S.R. Nor do I expect that the revolution in Western and Central Europe will lead to the permanent establishment of political regimes so closely akin to that of the Soviet Union that all continental Europe and the Soviet Union as a whole will come in effect to constitute a single politico-economic bloc. I expect rather the rise of a closely federated United States of Western Europe, though I can by no means predict how far its frontiers are

likely to stretch away towards the East. I expect that new great European Federal State to have predominantly Socialist institutions—probably a good deal nearer to Communism than the institutions which I have suggested for post-war Britain, but with a very much larger element of peasant cultivation—for I do not expect the Soviet system of collective farming, even if it develops on a large scale, to supersede peasant or small-farmer systems over the length and breadth of Europe. The continuance of individual farming is likely, more than anything else, to differentiate the post-war system in Western Europe and also in parts of Central Europe, from the economic system of the Soviet Union.

Under these circumstances, there will be two, or perhaps more, continental groups with which Great Britain will have to come to an accommodation. But these groups, I anticipate, will be bound together pretty closely by common arrangements for intercourse and the exchange of goods and services in accordance with a predominantly Socialist international economic plan. They will take steps to unify their systems of transport, including the great waterways as well as railways and roads; their systems of financial exchange, and perhaps their internal currencies, will be closely linked; and their international plan will include common arrangements for the development of their complementary resources by means of capital investment. This will mean that they will tend to look to the outside world, first, for materials and other supplies which they cannot, or cannot readily, produce for themselves, and secondly for such further supplies as it will benefit them to receive by way of investment or to exchange directly for their own current surpluses of goods.

Foreign trade, on this basis, need not be confined within narrow limits. But it will tend to be narrowly limited unless there are organised arrangements for its promotion, to the common advantage of both parties. Great Britain, under these conditions, will stand no chance of operating successfully in the European market except on a collective basis of international trading, such as I have suggested earlier in this book. Given such a basis, Great Britain will be well equipped, provided its industries are efficiently and imaginatively run, for driving a large trade with the rapidly developing economies of the European continent, and also for acting as 'broker' for a large part of the American trade and investment that will be necessary both to Europe and to the internal economy of the United States.

Political relations will, I fancy, follow in the main the pattern of international economic relations. It may be possible for Great Britain, under an essentially Socialist regime, to enter on

special terms into a Federation of Europe—or of Western Europe, if that is the political pattern of the post-war system. That will depend on the character and elasticity of the new structure of continental Federation. It seems more likely that Great Britain will not be formally a member of any European combination, but will be poised, together with the British Dominions, between continental Europe (including the Soviet Union) and the United States.

There is, however, one sphere in which Great Britain will have to enter fully into an international grouping with the countries of Western Europe. This is the sphere of colonial government. We have seen that it is indispensable, wherever colonial territories cannot enter immediately on fully independent membership of larger international groups, for their post-war administration to be reorganised under international auspices, and for their exclusive subjection to a particular imperial power to be given up. Tropical Africa, in particular, needs to be developed economically as a single continent, and not cut up into purely artificial segments under the tutelage of different imperial masters. It is no answer to this to suggest that all will be well if each European country will agree in future to govern its dependencies in the interests of their inhabitants, and not for purposes of exploitation and lasting subjection. The problems of African self-government and development cannot be solved along these lines. Unification is imperative, both for giving economic and cultural progress the right direction, and for building up a political unit which will be able before long to stand on its own feet. The only guarantee that this objective will be consistently pursued is unification under Socialist control, and with an influential participation by the Soviet Union, which will be able to bring its own highly successful experience in the democratic handling of national problems to bear on the situation on the African continent.

I have spoken in the foregoing paragraphs of Africa, rather than of the Asiatic colonies of the European Powers, because the solution of the African problem is much the easier to envisage. What is to happen to the colonial dependencies in Asia cannot be foretold without entering into the entire question of the coming political re-settlement of the Far East, involving the future political relations of independent India, free China, regenerated Japan, and a Soviet Union released from political danger in the West. This is altogether too large a subject to embark upon incidentally in the course of a discussion of the post-war international relations of Great Britain; and I must simply leave it alone.

I have attempted to set out in this chapter such glimmerings

of light as it is possible to shed at present on the possible future structure of world relations, as affecting Great Britain. If we exclude the solution which would leave Great Britain merely a satellite revolving in the orbit of the United States—a small American outpost off the coast of Europe—what freedom of strategy and manœuvre is left to the British people in determining its own future? A great deal, provided that its political and economic structure are such as to allow it both to maintain close economic and cultural relations with the United States and the British Dominions and at the same time to build up relations equally close with the Soviet Union and with the coming Socialist system of continental Europe. The proposals for domestic reconstruction put forward in this book were thought out with these limiting conditions very much in mind. The coming British system must be essentially Socialist, or Great Britain will be disastrously cut off from Europe and the European market. But it must also be of such a character as to admit of close common working with the United States, even if the United States is not Socialist, but only Rooseveltian. These two conditions can be reconciled, because Rooseveltian capitalism is expansionist and not the slave of restrictive monopoly, and because the material interests of the United States are inseparably bound up with the pursuit of expansionist policies both at home and in the rest of the world.

Of course, the two conditions would not be reconcilable if Rooseveltism were vanquished in the United States, and power passed back into the hands of a Republican Party still under the domination of the monopolist section of American capitalism. But I do not think this is at all likely to happen—or to continue for long, even if a wave of reaction does bring it about temporarily. For I am convinced that the victory of these elements in the United States would rapidly bring about a crash of the American economic system beside which the collapse of ten years ago would seem as nothing, and that the experience of such a crisis would speedily swing the New Dealers, or some new force a long way to the left of them, back to power. For this reason, I need not discuss this unpleasant prospect beyond saying that, if it were to be realised for a time, Great Britain would need to walk warily while it lasted, and to beware of entering into commitments which would stand in the way of satisfactory relations with Europe and discredit British policy in the eyes of an American opposition, destined speedily to place itself in power.

WHO IS TO DO THE JOB?

THIS REMAINS—Who is to do the job? If Great Britain is to adapt itself at the end of this war to living in a different sort of world, in which the British nation will enjoy many fewer relative advantages than it has been accustomed to, who is to take in hand the necessarily difficult tasks of adaptation, and to persuade those whose collaboration is essential to come along?

This question has been touched on already, when we were discussing the ambiguous role of the Labour Party in the present conjuncture of British affairs. From what was said then, it is plain that even if the Labour Party is to become the instrument through which the change in British society is to be made—which is itself doubtful—the Labour Party, as it is now, cannot possibly provide the initial driving force. It may come in, at the critical moment, if it succeeds in shaking itself free of its entanglement in the past; but it cannot be expected, here and now, to take the lead. This is not because any 'party truce' stands in its way: it would be pretty much the same if there were no truce, and if no representatives of Labour were included in the Government. The paralysis of the Labour Party arises from causes inherent in its dependence on Trade Unionism, and in the refusal of the Trade Unions to face fairly and squarely the needs of the future. Until Trade Unionism finds a new basis for its policy, it is vain to expect the Labour Party to play the pioneer.

We have seen, further, that in face of this refusal of leadership there is for the present no hope of the creation of any new party capable of taking the Labour Party's place at the head of the new forces of democracy. Splinter parties and new idealistic movements commanding a substantial following may arise; but that is quite a different thing. The plain truth is that, for the creation of the new forces that are needed, we are for the most part driven for the present outside politics, in the ordinary sense of the word. Instead of founding parties we have to form opinions—to find out other persons like-minded with ourselves with whom we can work, no matter on how small a scale, in those groupings with which we are naturally connected by our work or by the associations of our private lives. We have to return to an elementary faith in the value of intelligent argument and the power of fellowship—the 'when two or three are gathered together' of the Christian faith, before it became lost in the trappings of ecclesiastical pretension. We have to make for ourselves our little groups for thinking in common and planning for the new society in those

particular aspects of it which we are likely to be able to influence, and in which we ourselves shall be called upon to play an active part.

The task before us is that of making Great Britain in spirit into an intelligent democracy, in preparation for making it one in fact. For the institutions, greatly though they can sustain the spirit when they do exist, cannot be called into being except by the spirit. It, not they, must provide the creative force. Organisation is needed; but organisation will accomplish nothing unless it is the means whereby the spirit expresses itself in action.

That is where Mr. H. G. Wells is in the right with his notion of the 'Open Conspiracy'. Every one of us who understands that the world has to be, not merely re-furbished, but made radically new, in terms of a new democratic scale of values and a new democratic way of life, has to regard himself as a fellow-member with everyone else who shares this approach in a great society, without rules or constitution or formal procedure, devoted to this common cause. The unwritten code of this invisible College of Humanity are few and simple. They include, first of all, the precept 'Thou shalt not be afraid'. Thou shalt not be afraid of modern invention, merely because it is a juggernaut when it is not controlled. Thou shalt welcome it, and determine that it shall be controlled, as the means of letting loose plenty upon all mankind. Thou shalt not be afraid of the awful stupidity of the sons of men—either of the mass stupidity of the uneducated, or of the still more exasperating stupidity of the educated who persist in shutting their eyes. Everywhere thou shalt search out thy fellows who are not stupid; and, in the stupid, thou shalt probe always for the scaleless spot through which the light may find its way. Thou shalt not be afraid for thyself—even if the new times compel thee to unfamiliar ways of living. And, finally, thou must not be afraid of being alone; or thou wilt never find out the right comrades.

This is the first commandment for those of us who would be part of the Open Conspiracy. The second is like unto it—'Thou shalt believe in democracy'. Thou shalt not, on plea of knowing what is good for men better than they know it for themselves, relax thy efforts to convince them of the truth of thy belief. Maybe thou dost know better: maybe, thou hast had better opportunity, a luckier experience, or a superior natural endowment. These are not reasons for trying to make thyself a master, but for using thy qualities to draw thy friends, neighbours and workmates into thy faith. For, if thou prevailest on mankind to accept thy will unconvinced, thy triumph will turn to ashes and

thy Utopia become a city of grumbling slaves who will presently throw off thy yoke.

There is a third commandment—'Thou shalt do thy best'. It is not enough for thee to hold the right opinions, and to sit in corners with others who hold them, wagging heads at the blindness of mankind or at the hard hand of destiny. Thou must be up and doing—doing as well as thou canst whatever comes nearest, and needs doing, without pride or reservation. This is the hardest of all the commandments; for it is fatally easy to accept a rebuff as an excuse for inaction, an insult which wounded pride may meet by retiring in upon itself.

Let us not prolong our new commandments into a decalogue. These three will suffice. They carry with them all that is necessary—the creative spirit of a democracy that is based not on the error of supposing men to be wise, but on the belief that, however stupidly and late, they are capable of mastering a lesson when the facts thrust it full at them, and of mastering it a little sooner than they otherwise would if the wiser among them do not abuse their wisdom.

This insistence on doing what lies nearest to our hands is not a mere *ersatz* for doing greater things. If we are to build democracy, the foundations as well as the superstructure must have a democratic character. 'Democracy' in high places, and rot and apathy beneath, constitute not democracy but a façade ready to collapse at the first hostile touch. Above all is this true of a community which finds itself called upon to institute quick and fundamental changes in its institutions and ways of life. If the need for these changes is not understood throughout the little groups which make up the great society, and if there are not in these little groups understanding men and women to act as mediators and interpreters of national policy, the blank obstruction of these smaller groups will be strong enough to bring to naught even the most cleverly conceived plans inspired from the centre of affairs. Plans never work out just as they are conceived; and for the right working out of democratic plans it is indispensable that the genius for improvisation be richly present in every corner of the society in which they are to be applied.

Democracy—real democracy—must rest on a basis of neighbourhood, on the capacity of neighbours to work together in meeting their common needs. This neighbourhood, in the world of to-day, is of two main kinds—when that world is at peace. These two are, first, the neighbourhood of residence and secondly the neighbourhood of work. They centre, respectively, round the home, the street, the district or suburb, village or town, and round the factory, mine, or other place of work or employment.

These centres of neighbourhood must be small, or they lose their essential character. They must be small enough for their members to know one another, to a governing extent, individually, and not merely in the mass. That is where the institutions in which this spirit is supposed to find expression fail in the world of to-day. Local government fails, as towns become too big for effective neighbourhood: Trade Unions fail, as they become centralised, national bodies, within which only a scanty life remains in the local branch. Democracy needs new organs of neighbourhood, and is in a gingerly fashion just beginning to find them out. It needs street soviets, local community centres serving small areas, a growth of communal activities centred upon small groups manageable on a neighbourly basis of give and take. And it needs also factory soviets, of which shop stewards' committees spontaneously arising, and not hand-picked by the trade union bureaucracy, are the heralds.

It is the task of the pioneers of democracy to be continually active in helping the growth of the spirit of neighbourliness to find organised expression; for here is the means through which, if at all, our Open Conspiracy can take on the character of a people's crusade. The thing will not be done without many setbacks; for the pioneers cannot for the most part make opportunities, but only take them when they come. But I know of no other way in which those who find themselves in general agreement with what I have written can hope to make of it more than mere writing, or cause it to issue in effective and masterful action.

To some of my readers, this chapter will appear as an anticlimax—after a journey round the world, a pitiful return to gossip round the parish-pump. I ask them, is it not because we have lost command of our parish-pumps that we have lost also the command of greater affairs, and, what is more, faith in ourselves? Democracy begins at home; and home is not the world, or an island inhabited by forty million people, but the little space which each of us is able to reach by converse and contact in action with his friends, his neighbours, and his partners in the working part of life.

